

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name County of Kalamazoo, Michigan	County Kalamazoo
Audit Date 12/31/04	Opinion Date 5/6/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

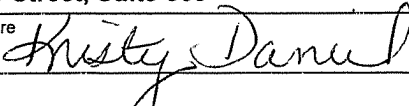
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) BDO Seidman, LLP			
Street Address 211 E. Water Street, Suite 300	City Kalamazoo	State MI	ZIP 49007
Accountant Signature 		Date 4/20/05	

County of Kalamazoo, Michigan

Comprehensive Annual Financial Report and Single Audit Act Compliance

Year Ended December 31, 2004

Prepared By:

**Donald H. Gilmer,
County Administrator/Controller**

**William L. Dundon, C.P.A., C.G.F.M.,
Assistant Administrator for Finance and Administrative Services**

County of Kalamazoo, Michigan

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Introductory Section



County of Kalamazoo, Michigan

List of Officials for 2004

County Board of Commissioners

Deb Buchholtz-Hiemstra - Chairperson

Daniel P. McGlinn - Vice Chairperson

Nasim Ansari

Thomas Drabik

Grady Biby

Franklin C. Thompson

David Buskirk

Robert Barnard

David Maturen

Jeff Heppler

John Taylor

Eva Ozier

John Zull

Joe VanBruggen

Jeff Balkema

Brian Johnson

Bob Brink

Circuit Court Judges

J. Richard Johnson - Chief Judge

Stephen D. Gorsalitz

Richard Ryan Lamb

William G. Schma

Philip D. Schaefer

District Court Judges

Vincent Westra - Chief Judge

Richard Santoni

Ann Hannon

Quinn Benson

Paul Bridenstine

Carol Husum

Probate Court Judges

Donald Halstead - Chief Judge

Patricia N. Conlon

Carolyn H. Williams

Others

Prosecutor - James Gregart

Sheriff - Mike Anderson

Treasurer - Sharon Cubitt

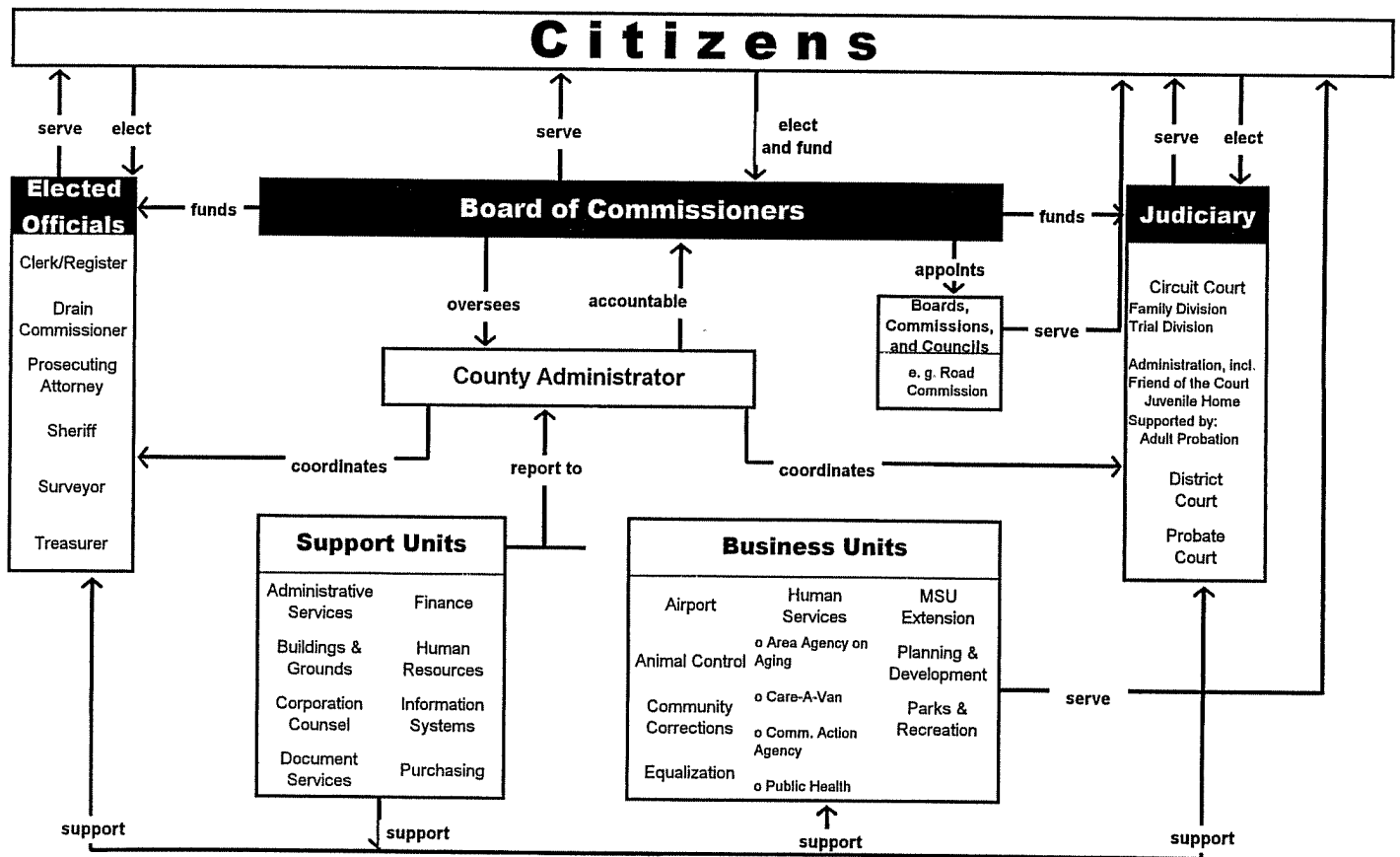
County Clerk/Register of Deeds - Timothy Snow

Surveyor - Robert Snell

Drain Commissioner - Mary Powers

County of Kalamazoo, Michigan

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Kalamazoo,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

Kalamazoo County
OFFICE OF COUNTY ADMINISTRATOR/CONTROLLER
201 West Kalamazoo Avenue
Kalamazoo, Michigan 49007

Donald H. Gilmer
County Administrator/Controller

Phone: (269) 384-8089
Fax: (269) 384-8032

June 15, 2005

Kalamazoo County Board of Commissioners
County of Kalamazoo
Kalamazoo, Michigan 49007

Members of the Board:

We are pleased to submit the Comprehensive Annual Financial Report of the County of Kalamazoo, Michigan (the County), for the year ended December 31, 2004. The basic financial statements included in this report have been audited by BDO Seidman, LLP, an independent firm of certified public accountants. This report is prepared for the purpose of disclosing the County's financial condition to its electorate, elected officials, and other interested parties.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making those representations, management of the County has established a comprehensive internal control framework designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

One of the goals of the County's audited financial statements is to provide reasonable assurance that the financial statements for the year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures reported in the financial statements; assessing the accounting principles used and any significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the County's financial statements for the year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are found on Pages 136 and 137.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the independent auditors' report.

Profile of the Government

The County of Kalamazoo, the eighth most populous county in the state of Michigan (the state), encompasses an area of approximately 576 square miles with the year 2000 census population of 238,603 and is located in the southwest portion of Michigan's Lower Peninsula. It is approximately 75 miles southwest of Lansing, the state capital. The County is empowered by the state to levy a property tax on real and personal properties located within the County.

The County is composed of 15 townships, five villages, and four cities. The year 2000 population of the County resides as follows: townships (106,447), cities (125, 966), and villages (6,190). The County seat is located in the city of Kalamazoo, which is the largest municipality in the county. The County was organized as a county by the territorial legislature on July 30, 1830.

The County is governed by the County Board of Commissioners (the County Board), which currently consists of 17 members. The County Board is responsible for establishing policies, adopting the budget, appointing committee memberships, and hiring the County administrator/controller. The administrator/controller is responsible for carrying out the policies set forth by the County Board and overseeing the day-to-day operations of the County. The County Board is elected on a partisan basis every two years from districts of approximately the same size. The other five elected officers of the County are elected on a partisan basis serving four-year terms.

The County provides a full range of municipal services. These services are either mandated by the state statute or authorized by the County Board. These include legislative, judicial, public works, public safety, health, welfare, cultural, recreation, transportation, public improvements, and general administrative services.

The annual budget serves as the foundation for the County's financial planning and control. All departments of the County, except the Kalamazoo County Road Commission, are required to submit requests for appropriations to the administrator/controller. These requests form the basis for the development of a proposed budget. The administrator/controller will present to the County Board a recommended budget for consideration and deliberation. After the review is completed, a public hearing will be held at the annual meeting and the budget will be adopted. The budget is appropriated at the departmental level. The budget is prepared at the fund, department, and account level. Department directors may request transfers within fund appropriations under their administrative control. Transfers of appropriations between departments or fund require approval of the board. Appropriation increases also require approval by the Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The General Fund is found on Page 22 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, this comparison is found starting on Page 82.

Financial Condition Factors

Local Economy. The County has experienced a favorable local economic environment for a number of years. The area has a diversified employment base adding to the strength of the local economy. In the last several years, the unemployment rate has reported more positive results than either the state or national rates. Major employers in the area are found in the pharmaceutical, banking, health, and education sectors.

Another positive element is the substantive increase in taxable value for property. The County experienced increases of \$259,858,733 (4.23%) in 2002-2003 and \$359,495,641 (5.62%) in 2003-2004.

Cash Management. Idle cash of the County was invested in time certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper, and money market rate savings accounts. The County pools its idle funds as much as possible to achieve maximum investment efficiency and to enhance accountability. The treasurer utilizes state-of-the-art techniques and equipment, including electronic funds transfer and controlled disbursements, and sophisticated investment procedures to ensure maximum profitability. In accordance with the state law, the County is prohibited from collateralizing its funds.

Average investment balances remained relatively stable in 2004. Average investments approximated \$55,674,300, with a high of \$70,341,500 and a low of \$8,904,600, experienced during the year. The investment program yielded \$944,587 in interest earnings in 2004 compared to \$1,019,877 in 2003, a 7.38% decrease.

Cash not invested in commercial paper, repurchase agreements, or certificates of deposit is placed into money market rate savings accounts. Most savings accounts exist where monies cannot be commingled and/or where the amounts are not large enough to warrant investment elsewhere. Cash needed for liquidity is kept in money market pooled funds.

Pension and Post-Retirement Benefits. The County sponsors a multi-employer defined benefit pension plan for the majority of its employees. Each year an independent actuary calculates the percentage of payroll the County must contribute to the pension plan to ensure the fund will meet its full obligations to plan participants. As a matter of policy, the County fully funds each year's contribution as determined by the actuary. As of the December 31, 2004, the actuarial report of the County's accrued assets exceeded its accrued liabilities by \$12,897,535. The employer normal cost for 2004 was 10.54% of payroll, however, due to the over-funding, the computed employer contribution rate was 6.04%.

The County also provides post-retirement health care benefits for retirees. This benefit is paid for those who retire on or after reaching 55 years of age. This benefit is paid from current resources and is not an obligation of the pension fund. The cost to the County for this benefit for 2004 was approximately \$1,752,936.

Risk Management. The County is covered for liability through the Michigan Municipal Risk Management Authority. The coverage includes loss protection for general and automobile liability, motor vehicle physical damage, and property.

The County is self-funded for workers' compensation coverage, covering employees of the primary government. The program is administered by a service provider furnishing safety inspections, reinsurance, claims review, and claims processing. The County has obtained specific excess workers' compensation reinsurance policies, indemnifying the County for each loss in excess of \$250,000. All funds are charged a percentage of payroll for workers' compensation costs and, when paid, are deposited into the Employee Benefits Internal Service Fund as operating revenue.

The County is also self-funded for health insurance for its employees. Retiree health insurance coverage is purchased from Blue Cross Blue Shield of Michigan. An administrative agent monitors claims and ensure that only those meeting the member's policies are paid. "Stop-Loss" insurance has been obtained, through payments of monthly premiums, to cover the cost of individual claims in excess of \$100,000.

The Kalamazoo County Road Commission participates in the Michigan County Road Commission Self Insurance Pool for its liability insurance. The Self Insurance Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts retained by the Self Insurance Fund.

The Kalamazoo Community Mental Health and Substance Abuse Services is covered for liability through Michigan Municipal Risk Management State Pool. The coverage includes loss protection for general liability, property, and crime. The Kalamazoo Community Mental Health and Substance Abuse Services, purchases commercial insurance for risks of loss arising from employee health, medical, and workers' compensation claims.

In all areas of insurance, the County is adequately funded and/or protected for losses/injuries.

Awards and Acknowledgements

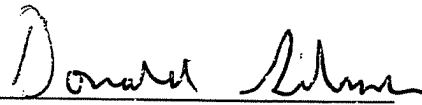
The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Kalamazoo, Michigan, for its comprehensive annual financial report for the fiscal year ended December 31, 2003. This was the sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

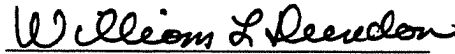
The preparation of this report on a timely basis would not have been accomplished without the cooperation of all involved in the financial accounting process. We want to thank all involved, especially the entire staff of the Finance Department.

We want to thank members of the Kalamazoo County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Donald H. Gilmer
County Administrator/Controller



William L. Dundon, C.P.A., C.G.F.M.
Assistant Administrator for
Finance and Administrative Services

Financial Section





BDO Seidman, LLP
Accountants and Consultants

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Independent Auditors' Report

Board of Commissioners
County of Kalamazoo, Michigan
Kalamazoo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Kalamazoo, Michigan (the County), as of and for the year ended December 31, 2004 (September 30, 2004, for a certain component unit), which collectively comprise the County's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Kalamazoo County Road Commission, which represents 84% of the total assets of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Kalamazoo County Road Commission, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2004 (September 30, 2004, for a certain component unit), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



BDO Seidman, LLP
Accountants and Consultants

Board of Commissioners
County of Kalamazoo, Michigan

Management's discussion and analysis on Pages 7 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplementary information listed in the table of contents as well as the accompanying schedule of expenditures of federal awards, as required by *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the introductory section and portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "BDO Seidman, LLP".

Certified Public Accountants

May 6, 2005

Management's Discussion and Analysis

As management of the County of Kalamazoo, Michigan (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which may be found on Pages 1 to 4 of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$111,617,144 (net assets). Of this amount, \$62,807,013 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,545,282.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,981,152, an increase of \$8,841,994 in comparison with the prior year. Approximately 47% of this total amount, \$12,491,059 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$4,736,676 or 11% of the total General Fund expenditures.
- The County's total long-term obligations increased by \$811,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, highways and streets, health and welfare, recreation and culture, and judicial. The business-type activities of the County include the Kalamazoo-Battle Creek International Airport and the Delinquent Tax Revolving Fund.

Management's Discussion and Analysis

(Continued)

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Family Independence Agency, a legally separate Economic Development Corporation, a legally separate Road Commission, legally separate Drainage Districts, and a legally separate authority known as Kalamazoo Community Mental Health and Substance Abuse Services. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 40 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Law Enforcement Fund, and Revenue Sharing Reserve Fund, all of which are considered to be major funds. Data from the other forty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are found on Pages 18 to 21 of this report.

Proprietary Funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Airport Fund and the Delinquent Tax Revolving Fund. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its employee benefits program, information systems activity, technology systems, Nazareth facility lease program, Central Stores activity, and a personnel pool. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport Fund and the Delinquent Tax Revolving Fund, both of which are considered to be major funds of the County. The County's six internal service funds are presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column. Also, individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report.

Management's Discussion and Analysis (Continued)

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on Pages 34 to 60 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information is included in the notes to the basic financial statements on Page 54 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$111,617,144 at the close of the most recent fiscal year.

A substantial portion of the County's net assets (28%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

County of Kalamazoo - Net Assets

<i>December 31, 2004</i>	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>2004 Total</i>	<i>2003 Total</i>
Assets:				
Current and other assets	\$ 82,703,152	\$25,491,948	\$ 108,195,100	\$108,649,439
Capital assets, net of accumulated depreciation	15,521,670	26,677,064	42,198,734	40,962,242
Total Assets	\$ 98,224,822	\$52,169,012	\$ 150,393,834	\$149,611,681
Liabilities:				
Long-term liabilities outstanding	\$ 18,252,023	\$ 9,500,000	\$ 27,752,023	\$ 26,941,078
Other liabilities	10,666,126	358,541	11,024,667	14,598,741
Total Liabilities	28,918,149	9,858,541	38,776,690	41,539,819
Net Assets:				
Invested in capital assets, net of related debt	15,521,670	17,177,064	32,698,734	40,962,242
Restricted	16,111,397	-	16,111,397	7,869,464
Unrestricted	37,673,606	25,133,407	62,807,013	59,240,156
Total Net Assets	69,306,673	42,310,471	111,617,144	108,071,862
Total Liabilities and Net Assets	\$ 98,224,822	\$52,169,012	\$ 150,393,834	\$149,611,681

Management's Discussion and Analysis (Continued)

No portion of the County's net assets represent resources that are subject to external restrictions on how they may be used except for the Revenue Sharing Reserve Fund established during 2004 under Public Act 357. The County may use the remaining balance of unrestricted net assets of \$62,807,013 (56%) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

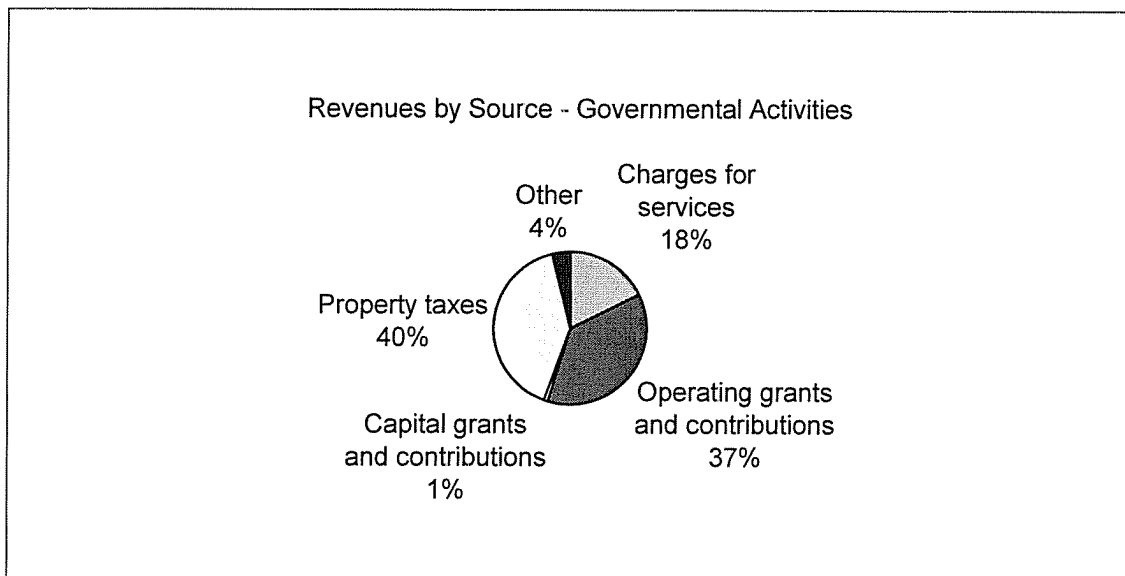
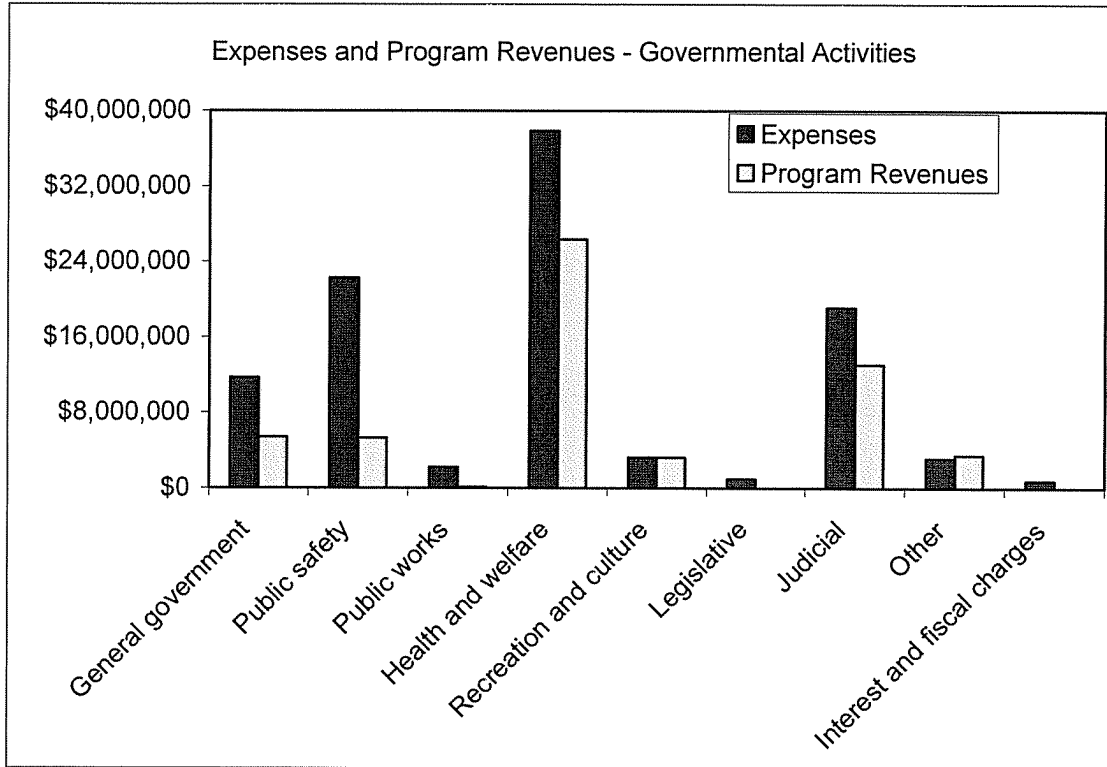
County of Kalamazoo - Changes in Net Assets

<i>December 31, 2004</i>	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>2004 Total</i>	<i>2003 Total</i>
Revenues:				
Program revenues:				
Charges for services	\$ 18,175,305	\$ 5,257,805	\$ 23,433,110	\$ 22,527,576
Operating grants and contributions	37,966,429	165,547	38,131,976	37,747,213
Capital grants and contributions	970,524	1,627,723	2,598,247	1,003,705
General revenues:				
Property taxes	41,577,166	-	41,577,166	45,262,736
Other taxes	46,309	-	46,309	89,972
Other	3,385,784	-	3,385,784	2,486,451
Unrestricted investment earnings	631,530	301,194	932,724	822,724
Total Revenues	102,753,047	7,352,269	110,105,316	109,940,377
Expenses:				
General government	11,732,332	-	11,732,332	11,123,116
Public safety	22,280,373	-	22,280,373	20,966,523
Public works	2,217,157	-	2,217,157	3,726,950
Health and welfare	37,871,316	-	37,871,316	35,414,960
Recreation and culture	3,272,460	-	3,272,460	3,271,733
Legislative	966,888	-	966,888	1,026,702
Judicial	19,129,554	-	19,129,554	19,413,915
Other	3,153,334	-	3,153,334	2,598,686
Transfer to Component Units	-	-	-	3,200,421
Interest and fiscal charges	770,194	-	770,194	101,494
Airport operations	-	5,166,426	5,166,426	4,787,446
Total Expenses	101,393,608	5,166,426	106,560,034	105,631,946
Increase (Decrease) in Net Assets				
Before Transfers	1,359,439	2,185,843	3,545,282	4,308,431
Transfers In (Out)	900,000	(900,000)	-	-
Change in Net Assets	2,259,439	1,285,843	3,545,282	4,308,431
Net Assets, beginning of year	67,047,234	41,024,628	108,071,862	105,003,372
Prior Period Adjustment	-	-	-	(1,239,941)
Net Assets, end of year	\$ 69,306,673	\$42,310,471	\$ 111,617,144	\$108,071,862

The County's net assets increased by \$3,545,282 during the current fiscal year. About 54% of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. In addition, approximately 46% of the growth is attributable to a one-time infusion of resources from capital grants for new airport construction and depreciation on grant purchased capital assets.

Management's Discussion and Analysis (Continued)

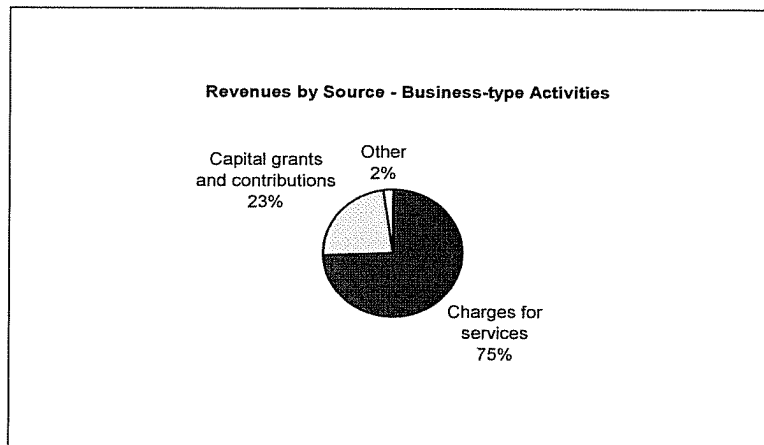
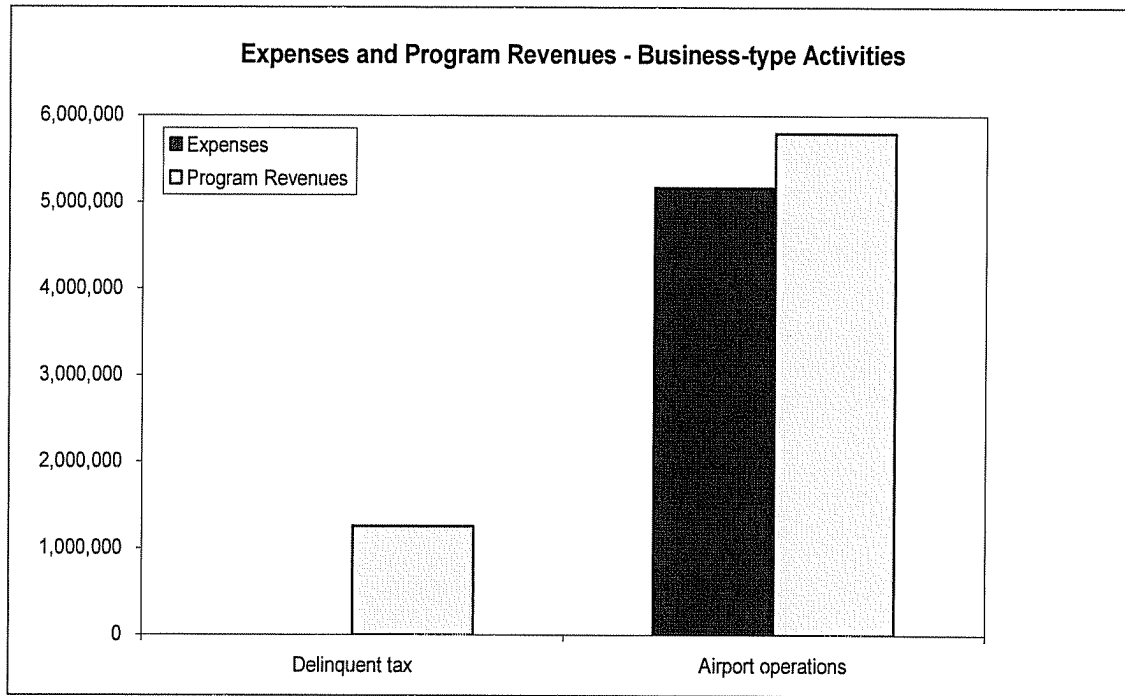
Governmental Activities. Governmental activities increased the County's net assets by \$2,259,439.



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities. Business-type activities increased the County's net assets by \$1,285,843, accounting for (36)% of the total growth in the government's net assets. The key element of this increase was the growth in capital grants for airport construction during the current fiscal year, producing \$1,627,723 in revenue.

Management's Discussion and Analysis (Continued)



County of Kalamazoo - Financial Analysis of Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,981,152, an increase of \$8,841,994 in comparison with the prior year. Forty-eight percent of this total amount (\$12,491,059) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is invested in capital assets, capital projects, and special revenue grants, and is not available for new spending.

Management's Discussion and Analysis

(Continued)

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$4,736,676, while total fund balance amounted to \$9,126,249. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 11% of total General Fund expenditures, while total fund balance represents 21% of that same amount. The fund balance of the County's General Fund increased by \$300,904 during the current fiscal year. The Debt Service Fund has no fund balance.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Airport Fund at the end of the year amounted to \$13,935,457, and those for the Delinquent Tax Revolving Fund amounted to \$11,234,089. The Airport Fund had a total increase in net assets of \$809,394 while the Delinquent Tax Revolving Fund experienced an increase in net assets of \$471,835. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for expenditures were relatively minor (\$2,180,400 or a 5% increase in appropriations) and are briefly summarized as follows:

- \$1,004,700 in capital outlay.
- \$1,175,700 in miscellaneous increases in all other activities.

The increase of \$2,180,400 was to be funded out of increases in various revenue accounts.

Differences between the final amended budget and actual results are briefly summarized as follows:

Revenues:

State Grants - State Shared Revenues (\$2,347,664). Revenue sharing was discontinued as of September 30, 2004. To offset this shortfall, in accordance with State law, a reserve fund was established in the amount of \$2,297,918.

Transfers In - Charges for Services - Sheriff \$503,137. The revenue overage resulted from higher than anticipated prisoner care reimbursement.

Fines and Forfeitures - District Court \$203,127. The revenue overage resulted from higher than anticipated collections of ordinance fines and costs.

Interest - Treasurer (\$207,496). The revenue shortfall was a result of lower investment interest rates coupled with less funding to invest.

Transfers In - Budget Stabilization (\$650,000). A transfer from the Budget Stabilization Fund was not necessary.

Management's Discussion and Analysis (Continued)

Expenditures:

Judicial - Circuit Court Administration (\$238,842). The over budget situation was primarily due to an increased number of cases requiring court appointed attorneys.

Other - Contingencies \$573,800. No events occurred to necessitate contingency expenditures.

Other - Insurance and Surety Bonds (\$211,248). This over budget situation was caused by an increase in the claims loss reserve.

Transfers Out - Health Fund \$251,932. The favorable variance was a combination of spending less than budgeted and receiving more revenue than budgeted.

Transfers Out – Child Care Probate Fund (\$373,864). This over budget situation was caused by an increase in the number of foster care/out of home placements.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$42,198,734 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, furniture, machinery and equipment, vehicles and construction in progress. The total increase in the County's investment in capital assets for the current fiscal year was 3% (a 1% increase for governmental activities and a 4% increase for business-type activities).

Major capital asset events during the current fiscal year included improvements made at the airport at a cost of \$2,977,921.

County of Kalamazoo - Capital Assets (In thousands and net of depreciation)

<i>December 31,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Land	\$ 1,004	\$ 1,004	\$ 3,730	\$ 3,730	\$ 4,734	\$ 4,734
Construction in progress	738	-	4,329	2,474	5,067	2,474
Land improvements	3,179	2,809	13,257	14,018	16,436	16,827
Buildings	6,023	6,687	2,826	2,907	8,849	9,594
Machinery and equipment	3,112	3,342	2,535	2,494	5,647	5,836
Motor vehicles	1,465	1,497	-	-	1,465	1,497
Total	\$ 15,521	\$ 15,339	\$ 26,677	\$ 25,623	\$ 42,198	\$ 40,962

Additional information on the County's capital assets are found in Note 5 on Pages 46 to 48 of this report.

Management's Discussion and Analysis (Concluded)

Long-Term Obligations. At the end of the current fiscal year, the County had total long-term obligations outstanding of \$27,752,000. The total obligation does not include \$884,000 in a mortgage payable of the Kalamazoo Community Mental Health and Substance Abuse Services for which the County is not responsible. The remainder of the County obligations represent bonds secured solely by specified revenue sources (i.e., revenue bonds).

County of Kalamazoo - Outstanding Long-Term Obligations (In thousands)

<i>December 31,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Primary Government:						
Compensated absences	\$ 2,996	\$ 2,821	\$ -	\$ -	\$ 2,996	\$ 2,821
Revenue bonds	15,256	14,620	9,500	9,500	24,756	24,120
Total	\$ 18,252	\$ 17,441	\$ 9,500	\$ 9,500	\$ 27,752	\$ 26,941

The County's total obligation increased by \$811,000 or 3% during the current fiscal year. The net increase was attributable to making debt service payments as they came due and issuance of new debt of \$2,910,000.

The County maintains an "AA" rating from Standard & Poor's and "A1" rating from Moody's for its general obligation debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized valuation.

The current debt limitation for the County is \$802,220,635, which is significantly higher than the County's outstanding general obligation debt. Additional information on the County's long-term obligations are found in Note 6 on Pages 48 to 51.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County is currently 5.8%, which is an increase from a rate of 5.3% a year ago. This compares favorably to the state's average unemployment rate and the national average rate.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the County's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$4,736,676. The County has appropriated \$100,000 of this amount for spending in the 2005 fiscal year budget. This appropriation of available fund balance allows the County to adopt a balanced budget and eliminates the need to raise taxes or charges above the current recommended levels during the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Administrator for Finance and Administrative Services, 201 West Kalamazoo Avenue, Kalamazoo, Michigan 49007.

Government-Wide Financial Statements



<i>December 31, 2004</i>	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>	
Assets:				
Cash (Note 3)	\$ 19,074,946	\$12,100,693	\$ 31,175,639	\$ 2,905,175
Investments (Note 3)	100,000	5,844,000	5,944,000	16,117,101
Receivables:				
Accounts	1,057,882	196,787	1,254,669	1,594,617
Taxes, current	38,641,414	-	38,641,414	-
Taxes, delinquent	982,139	4,444,202	5,426,341	-
Interest	520	588,228	588,748	-
Unlevied assessments	228,404	-	228,404	-
Intergovernmental	21,873,506	1,400,790	23,274,296	3,075,601
Inventories	82,785	6,814	89,599	690,568
Prepaid expenses	661,556	-	661,556	333,691
Bond discount	-	67,005	67,005	-
Bond issuance costs	-	69,328	69,328	-
Other assets	-	-	-	260,999
Restricted assets:				
Investment (Note 3)	-	705,183	705,183	-
Receivables	-	68,918	68,918	-
Land (Note 5)	1,004,255	3,730,280	4,734,535	9,409,175
Construction in progress (Note 5)	738,079	4,328,580	5,066,659	56,252
Capital assets, net of accumulated depreciation (Note 5)	13,779,336	18,618,204	32,397,540	95,066,466
Total Assets	\$ 98,224,822	\$52,169,012	\$ 150,393,834	\$129,509,645

County of Kalamazoo, Michigan

Government-Wide Financial Statements Statement of Net Assets

<i>December 31, 2004</i>	<i>Primary Government</i>		<i>Total</i>	<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>		
Liabilities:				
Checks issued against future deposits	\$ 1,228,813	\$ -	\$ 1,228,813	\$ -
Accounts payable	3,443,467	201,035	3,644,502	7,835,095
Accrued liabilities	1,117,824	89,397	1,207,221	164,752
Interest payable	100,820	61,900	162,720	-
Intergovernmental payable	577,444	-	577,444	1,071,933
Liability for estimated claims	1,994,550	-	1,994,550	-
Other payables	34,211	6,209	40,420	143,150
Bond premium	65,401	-	65,401	-
Unearned revenue	2,103,596	-	2,103,596	2,101,313
Noncurrent liabilities (Note 6):				
Due within one year	2,466,437	-	2,466,437	252,755
Due in more than one year	15,785,586	9,500,000	25,285,586	921,557
Total Liabilities	28,918,149	9,858,541	38,776,690	12,490,555
Net Assets:				
Invested in capital assets, net of related debt	15,521,670	17,177,064	32,698,734	103,345,957
Restricted:				
Revenue sharing reserve	8,357,014	-	8,357,014	-
Primary roads	-	-	-	2,736,670
Capital projects	4,169,994	-	4,169,994	-
Special revenue grants	3,584,389	-	3,584,389	-
Unrestricted	37,673,606	25,133,407	62,807,013	10,936,463
Total Net Assets	69,306,673	42,310,471	111,617,144	117,019,090
Total Liabilities and Net Assets	\$ 98,224,822	\$52,169,012	\$ 150,393,834	\$129,509,645

See accompanying notes to basic financial statements.

Year Ended December 31, 2004	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 11,732,332	\$ 3,034,136	\$ 2,380,121	\$ -
Public safety	22,280,373	1,880,319	3,447,189	-
Public works	2,217,157	-	101,632	-
Health and welfare	37,871,316	2,897,372	23,478,271	-
Recreation and culture	3,272,460	2,184,590	1,088,279	-
Legislative	966,888	-	-	-
Judicial	19,129,554	5,643,531	7,470,937	-
Other	3,153,334	2,535,357	-	970,524
Interest and fiscal charges	770,194	-	-	-
Total governmental activities	101,393,608	18,175,305	37,966,429	970,524
Business-type activities:				
Delinquent tax	-	1,253,219	-	-
Airport operations	5,166,426	4,004,586	165,547	1,627,723
Total business-type activities	5,166,426	5,257,805	165,547	1,627,723
Total Primary Government	\$ 106,560,034	\$ 23,433,110	\$ 38,131,976	\$ 2,598,247
Component Units:				
Road Commission	\$ 15,262,769	\$ 209,029	\$ 13,590,204	\$ 7,278,327
Kalamazoo Community Mental Health and Substance Abuse Services	83,426,866	1,599,268	80,949,295	-
Other	2,523,177	133,334	1,591,718	-
Total Component Units	\$ 101,212,812	\$ 1,941,631	\$ 96,131,217	\$ 7,278,327
General Revenues:				
Property taxes levied for operating				
Property taxes for revenue sharing reserve				
Other taxes				
Local unit contract revenue				
Other				
Unrestricted investment earnings				
Total General Revenues				
Transfers In (Out)				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets, beginning of year				
Net Assets, end of year				

County of Kalamazoo, Michigan

Government-Wide Financial Statements Statement of Activities



<i>Net Revenue (Expense) and Changes in Net Assets</i>			
<i>Primary Government</i>			
<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>	<i>Component Units</i>
\$ (6,318,075)	\$ -	\$ (6,318,075)	\$ -
(16,952,865)	-	(16,952,865)	-
(2,115,525)	-	(2,115,525)	-
(11,495,673)	-	(11,495,673)	-
409	-	409	-
(966,888)	-	(966,888)	-
(6,015,086)	-	(6,015,086)	-
352,547	-	352,547	-
(770,194)	-	(770,194)	-
(44,281,350)	-	(44,281,350)	-
-	1,253,219	1,253,219	-
-	631,430	631,430	-
-	1,884,649	1,884,649	-
(44,281,350)	1,884,649	(42,396,701)	-
-	-	-	5,814,791
-	-	-	(878,303)
-	-	-	(798,125)
-	-	-	4,138,363
30,922,234	-	30,922,234	-
10,654,932	-	10,654,932	-
46,309	-	46,309	-
1,285,000	-	1,285,000	-
2,100,784	-	2,100,784	4,677,514
631,530	301,194	932,724	150,859
45,640,789	301,194	45,941,983	4,828,373
900,000	(900,000)	-	-
46,540,789	(598,806)	45,941,983	4,828,373
2,259,439	1,285,843	3,545,282	8,966,736
67,047,234	41,024,628	108,071,862	108,052,354
\$ 69,306,673	\$ 42,310,471	\$ 111,617,144	\$ 117,019,090

See accompanying notes to basic financial statements.

Fund Financial Statements



County of Kalamazoo, Michigan

Governmental Funds Balance Sheet

<i>December 31, 2004</i>	<i>Special Revenue</i>				<i>Total Governmental Funds</i>
	<i>General</i>	<i>Law Enforcement</i>	<i>Revenue Sharing Reserve</i>	<i>Other Governmental Funds</i>	
Assets:					
Cash (Note 3)	\$ 9,082,448	\$ 1,128,535	\$ 816,261	\$ 7,510,703	\$ 18,537,947
Investments (Note 3)	100,000	-	-	-	100,000
Receivables:					
Accounts	242,617	40,757	-	549,225	832,599
Taxes, current	19,677,341	9,125,402	9,838,671	-	38,641,414
Taxes, delinquent	750,120	232,019	-	-	982,139
Interest	520	-	-	-	520
Unlevied assessments	-	-	-	228,404	228,404
Due from other funds (Note 4)	2,300,918	-	-	-	2,300,918
Due from other government units	1,146,947	-	-	4,821,559	5,968,506
Prepaid expenditures	2,819	-	-	72,920	75,739
Inventories	15,678	-	-	-	15,678
Advances to other funds (Note 4)	300,000	-	-	-	300,000
Total Assets	\$ 33,619,408	\$ 10,526,713	\$ 10,654,932	\$ 13,182,811	\$ 67,983,864
Liabilities and Fund Balance:					
Liabilities:					
Checks issued against future deposits	\$ -	\$ -	\$ -	\$ 1,228,813	\$ 1,228,813
Accounts payable	1,586,729	26,616	-	1,420,928	3,034,273
Accrued liabilities	408,420	137,110	-	311,254	856,784
Due to other funds (Note 4)	-	-	2,297,918	-	2,297,918
Due to other governments	16,943	-	-	560,501	577,444
Liability for estimated claims	339,745	-	-	-	339,745
Other payables	71,787	-	-	-	71,787
Advances from other funds (Note 4)	-	-	-	300,000	300,000
Deferred revenue	22,069,535	10,114,449	-	1,111,964	33,295,948
Total Liabilities	24,493,159	10,278,175	2,297,918	4,933,460	42,002,712
Fund Balance:					
Restricted - Revenue Sharing Reserve Fund	-	-	8,357,014	-	8,357,014
Reserved:					
Encumbrances	118,176	25,662	-	471,812	615,650
Prepaid expenditures/inventories	18,497	-	-	23,156	41,653
Unreserved -					
Designated for future expenditures	4,252,900	222,876	-	-	4,475,776
Unreserved, reported in:					
General Fund	4,736,676	-	-	-	4,736,676
Special Revenue Funds	-	-	-	3,584,389	3,584,389
Capital Projects Funds	-	-	-	4,169,994	4,169,994
Total Fund Balance	9,126,249	248,538	8,357,014	8,249,351	25,981,152
Total Liabilities and Fund Balance	\$ 33,619,408	\$ 10,526,713	\$ 10,654,932	\$ 13,182,811	\$ 67,983,864

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Reconciliation of the Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

<i>Year Ended December 31, 2004</i>	<i>Amount</i>
Total Fund Balance - Total governmental funds (from Page 18)	\$ 25,981,152
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Capital assets, at cost	41,415,481
Accumulated depreciation	(26,888,263)
Net capital assets	14,527,218
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:	
Deferred taxes	31,192,352
Intergovernmental receivable	15,905,000
Internal Service Funds are used by management to charge the costs of certain activities, such as employee benefits, information systems, Central Stores, and technology systems to individual funds. These assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	119,195
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances as December 31, 2004, were:	
Bonds payable	(15,256,000)
Compensated absences	(2,996,023)
Bond premium	(65,401)
Accrued interest on bonds	(100,820)
Net Assets of Governmental Activities	\$ 69,306,673

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Year Ended December 31, 2004</i>	<i>Special Revenue</i>			<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
	<i>General</i>	<i>Law Enforcement</i>	<i>Revenue Sharing Reserve</i>		
Revenues:					
Taxes	\$ 29,798,568	\$ 9,199,433	\$ 10,654,932	\$ 1,679,091	\$ 51,332,024
Licenses and permits	423,723	-	-	438,735	862,458
Intergovernmental	9,645,474	59,702	-	31,453,179	41,158,355
Charges for services	7,200,256	-	-	3,464,204	10,664,460
Fines and forfeitures	2,658,950	88,944	-	-	2,747,894
Interest	494,004	75,367	-	62,159	631,530
Other	1,855,223	-	-	245,561	2,100,784
Total Revenues	52,076,198	9,423,446	10,654,932	37,342,929	109,497,505
Expenditures:					
Current:					
General government	9,506,192	1,955,542	-	-	11,461,734
Public safety	12,803,264	5,694,228	-	2,975,165	21,472,657
Public works	-	-	-	2,195,172	2,195,172
Health and welfare	4,285,812	-	-	32,832,161	37,117,973
Recreation and culture	262,685	-	-	2,714,257	2,976,942
Legislative	966,888	-	-	-	966,888
Judicial	12,488,722	1,581,972	-	4,573,670	18,644,364
Other	2,928,181	158,086	-	4,217	3,090,484
Debt service:					
Principal	-	-	-	1,647,000	1,647,000
Interest and other charges	-	-	-	686,452	686,452
Capital outlay	856,266	104,941	-	1,841,965	2,803,172
Total Expenditures	44,098,010	9,494,769	-	49,470,059	103,062,838
Excess (Deficiency) of Revenues Over Expenditures	7,978,188	(71,323)	10,654,932	(12,127,130)	6,434,667
Other Financing Sources (Uses):					
Transfers in	3,235,104	-	-	10,581,886	13,816,990
Transfers out	(10,912,388)	(257,346)	(2,297,918)	(178,468)	(13,646,120)
Issuance of note	-	-	-	2,151,000	2,151,000
Issuance of refunding bond	-	-	-	2,910,000	2,910,000
Premium on refunding bond	-	-	-	65,401	65,401
Payment to escrow agent	-	-	-	(2,889,944)	(2,889,944)
Total Other Financing Sources (Uses)	(7,677,284)	(257,346)	(2,297,918)	12,639,875	2,407,327
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	300,904	(328,669)	8,357,014	512,745	8,841,994
Fund Balance, beginning of year	8,825,345	577,207	-	7,736,606	17,139,158
Fund Balance, end of year	\$ 9,126,249	\$ 248,538	\$ 8,357,014	\$ 8,249,351	\$ 25,981,152

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

<i>Year Ended December 31, 2004</i>	<i>Amount</i>
Net Change in Fund Balance - Total governmental funds (from Page 20)	\$ 8,841,994
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,476,593) exceeded depreciation (\$1,847,382) in the current period.	629,211
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred taxes	(8,029,458)
Intergovernmental receivable	1,285,000
Bond proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Issuance of debt	(5,061,000)
Bond premium	(65,401)
Repayments	4,425,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest	6,202
Compensated absences	(174,945)
Loss on disposal of asset	(51,395)
Internal Service Funds are used by management to charge the costs of certain activities, such as employee benefits, information systems, Central Stores, and technology systems to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.	454,231
Change in Net Assets of Governmental Activities	\$ 2,259,439

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Taxes	\$ 29,822,900	\$ 29,822,900	\$ 29,798,568	\$ (24,332)
Licenses and permits	406,000	419,500	423,723	4,223
Intergovernmental	11,786,800	11,740,400	9,645,474	(2,094,926)
Charges for services	6,044,100	6,706,200	7,200,256	494,056
Fines and forfeitures	2,420,000	2,420,000	2,658,950	238,950
Interest	701,500	701,500	494,004	(207,496)
Other	1,658,300	1,687,400	1,855,223	167,823
Total Revenues	52,839,600	53,497,900	52,076,198	(1,421,702)
Expenditures:				
Current:				
General government	9,708,600	9,807,500	9,506,192	301,308
Public safety	12,221,000	12,724,800	12,803,264	(78,464)
Health and welfare	4,167,700	4,210,200	4,285,812	(75,612)
Recreation and culture	288,800	282,000	262,685	19,315
Legislative	935,300	973,800	966,888	6,912
Judicial	11,945,800	12,163,900	12,488,722	(324,822)
Other	3,316,900	3,597,600	2,928,181	669,419
Capital outlay	800,900	1,805,600	856,266	949,334
Total Expenditures	43,385,000	45,565,400	44,098,010	1,467,390
Excess of Revenues Over Expenditures	9,454,600	7,932,500	7,978,188	45,688
Other Financing Sources (Uses):				
Transfers in	1,587,200	1,587,200	3,235,104	1,647,904
Transfers out	(11,289,800)	(10,871,900)	(10,912,388)	(40,488)
Total Other Financing Uses	(9,702,600)	(9,284,700)	(7,677,284)	1,607,416
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(248,000)	(1,352,200)	300,904	1,653,104
Fund Balance, beginning of year	8,825,345	8,825,345	8,825,345	-
Fund Balance, end of year	\$ 8,577,345	\$ 7,473,145	\$ 9,126,249	\$ 1,653,104

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Law Enforcement Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Taxes:				
Non-departmental	\$ 9,285,400	\$9,285,400	9,198,718	\$ (86,682)
Treasurer	-	-	715	715
Total Taxes	9,285,400	9,285,400	9,199,433	(85,967)
Federal grants	58,200	58,200	59,702	1,502
Fines and forfeitures	87,500	87,500	88,944	1,444
Interest	90,000	90,000	75,367	(14,633)
Other	50,000	424,700	-	(424,700)
Total Revenues	9,571,100	9,945,800	9,423,446	(522,354)
Expenditures:				
Judicial:				
Circuit Court - Trial division	534,000	537,400	548,006	(10,606)
Circuit Court - Family division	667,700	694,400	676,387	18,013
District Court	338,500	360,000	357,579	2,421
Total Judicial	1,540,200	1,591,800	1,581,972	9,828
General Government - Prosecuting Attorney	1,889,400	1,944,700	1,955,542	(10,842)
Public Safety:				
Sheriff	4,951,800	5,338,800	5,303,000	35,800
Community Corrections	94,900	96,600	96,671	(71)
Animal Services and Enforcement	312,500	296,900	294,557	2,343
Total Public Safety	5,359,200	5,732,300	5,694,228	38,072
Other:				
Kalamazoo Criminal Justice Council	168,100	158,300	158,086	214
Contingencies	75,000	-	-	-
Court storage	50,000	-	-	-
Total Other	293,100	158,300	158,086	214
Capital Outlay	148,300	148,300	104,941	43,359
Total Expenditures	9,230,200	9,575,400	9,494,769	80,631

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Law Enforcement Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Excess (Deficiency) of Revenues Over Expenditures	\$ 340,900	\$ 370,400	\$ (71,323)	\$ (441,723)
Other Financing Uses -				
Transfers out:				
Friend of the Court Fund	(20,000)	(20,000)	(20,000)	-
Child Care Probate Fund	(165,800)	(165,800)	(165,800)	-
Public Safety Special Grants Fund	(53,200)	(82,700)	(71,546)	11,154
Information Systems Fund	(101,900)	(101,900)	-	101,900
Total Other Financing Uses	(340,900)	(370,400)	(257,346)	113,054
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	-	-	(328,669)	(328,669)
Fund Balance, beginning of year	577,207	577,207	577,207	-
Fund Balance, end of year	\$ 577,207	\$ 577,207	\$ 248,538	\$ (328,669)

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Revenue Sharing Reserve Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues -				
Taxes	\$ -	\$ -	\$ 10,654,932	\$ 10,654,932
Other Financing Sources (Uses) -				
Transfers out	-	-	(2,297,918)	(2,297,918)
Excess Revenues Over Expenditures and Other Financing Sources (Uses)	-	-	8,357,014	8,357,014
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ 8,357,014	\$ 8,357,014

See accompanying notes to basic financial statements.



<i>Business-Type Activities - Enterprise Funds</i>				<i>Governmental Activities - Internal Service Funds</i>
<i>December 31, 2004</i>	<i>Airport</i>	<i>Delinquent Tax Revolving</i>	<i>Total</i>	
Assets:				
Current assets:				
Cash (Note 3)	\$11,743,034	\$ 357,659	\$ 12,100,693	\$ 615,464
Investments (Note 3)	-	5,844,000	5,844,000	-
Receivables:				
Accounts	232,926	-	232,926	186,144
Taxes, delinquent	-	4,444,202	4,444,202	-
Interest	-	588,228	588,228	-
Due from state of Michigan	1,323,572	-	1,323,572	-
Due from federal government	77,218	-	77,218	-
Bond discount	67,005	-	67,005	-
Bond issuance costs	69,328	-	69,328	-
Inventories	6,814	-	6,814	67,107
Other	-	-	-	585,817
Total current assets	13,519,897	11,234,089	24,753,986	1,454,532
Noncurrent assets:				
Restricted assets:				
Investment (Note 3)	705,183	-	705,183	-
Accounts receivable	68,918	-	68,918	-
Land (Note 5)	3,730,280	-	3,730,280	-
Construction in progress (Note 5)	4,328,580	-	4,328,580	-
Capital assets, net of accumulated depreciation (Note 5)	18,618,204	-	18,618,204	994,452
Total noncurrent assets	27,451,165	-	27,451,165	994,452
Total Assets	\$40,971,062	\$ 11,234,089	\$ 52,205,151	\$ 2,448,984

County of Kalamazoo, Michigan

Proprietary Funds Statement of Net Assets

<i>Business-Type Activities - Enterprise Funds</i>				<i>Governmental Activities - Internal Service Funds</i>
<i>December 31, 2004</i>	<i>Airport</i>	<i>Delinquent Tax Revolving</i>	<i>Total</i>	
Liabilities:				
Current liabilities:				
Checks issued against future deposits	\$ -	\$ -	\$ -	\$ 78,465
Accounts payable	201,035	-	201,035	409,194
Accrued liabilities	89,397	-	89,397	182,651
Liability for estimated claims	-	-	-	1,654,805
Deposits payable	6,209	-	6,209	(37,576)
Accrued interest	61,900	-	61,900	-
Due to other funds (Note 4)	-	-	-	78,389
Total current liabilities	358,541	-	358,541	2,365,928
Noncurrent liabilities, general obligation limited tax bonds (Note 6)	9,500,000	-	9,500,000	-
Total Liabilities	9,858,541	-	9,858,541	2,365,928
Net Assets:				
Investment in capital assets, net of related debt	17,177,064	-	17,177,064	994,452
Unrestricted	13,935,457	11,234,089	25,169,546	(911,396)
Total Net Assets	31,112,521	11,234,089	42,346,610	83,056
Total Liabilities and Net Assets	\$40,971,062	\$ 11,234,089		\$ 2,448,984
Adjustment Reflecting Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
			(36,139)	
Net Assets of Business Type Activities			\$ 42,310,471	

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets

<i>Year Ended December 31, 2004</i>	<i>Business-Type Activities - Enterprise Funds</i>			<i>Governmental Activities - Internal Service Funds</i>
	<i>Airport</i>	<i>Delinquent Tax Revolving</i>	<i>Total</i>	
Operating Revenues:				
Charges for services:				
Airport concessions	\$ 581,276	\$ -	\$ 581,276	\$ -
Airfield maintenance	761,968	-	761,968	-
Airfield terminal maintenance	621,179	-	621,179	-
Airport parking	1,409,556	-	1,409,556	-
Airport leases site and other income	51,031	-	51,031	-
Penalties and interest	-	888,565	888,565	-
Collection fees	-	364,654	364,654	23,260,133
Total Operating Revenues	3,425,010	1,253,219	4,678,229	23,260,133
Operating Expenses:				
Airport administration	700,239	-	700,239	-
Airfield maintenance	914,415	-	914,415	-
Airport building maintenance	446,663	-	446,663	-
Airport parking	376,900	-	376,900	-
Airport security	418,611	-	418,611	-
Depreciation	1,923,765	-	1,923,765	589,756
Employee benefits	-	-	-	20,117,054
Other	7,545	-	7,545	2,823,601
Total Operating Expenses	4,788,138	-	4,788,138	23,530,411
Operating Income (Loss)	(1,363,128)	1,253,219	(109,909)	(270,278)
Nonoperating Revenues (Expenses):				
Passenger facility charges	579,576	-	579,576	-
Interest income	182,578	118,616	301,194	-
Federal revenue	165,547	-	165,547	-
Interest expense and charges	(382,902)	-	(382,902)	-
Total Nonoperating Revenues	544,799	118,616	663,415	-
Income (Loss) Before Contributions and Transfers	(818,329)	1,371,835	553,506	(270,278)
Capital Contributions Received	1,627,723	-	1,627,723	-
Transfers In	-	-	-	729,130
Transfers Out	-	(900,000)	(900,000)	-
Change in Net Assets	809,394	471,835	1,281,229	458,852
Net Assets (Deficit), beginning of year	30,303,127	10,762,254	41,065,381	(375,796)
Net Assets, end of year	\$ 31,112,521	\$ 11,234,089	42,346,610	\$ 83,056
Adjustment Reflecting Consolidation of Internal Service Fund Activities Related to Enterprise Funds			(36,139)	
Net Assets of Business Type Activities, end of year			\$ 42,310,471	

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Proprietary Funds Statement of Cash Flows

Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
Year Ended December 31, 2004	Airport	Delinquent Tax Revolving	Total		
Operating Activities:					
Cash received from interfund services provided	\$ -	\$ -	\$ -	\$ 23,251,054	
Cash received from customers and users	2,305,457	1,255,644	3,561,101	-	
Cash paid to employees	(899,901)	-	(899,901)	(1,745,940)	
Cash paid for interfund services used	(348,921)	-	(348,921)	(2,024,838)	
Cash paid to suppliers	(2,579,871)	-	(2,579,871)	(19,758,405)	
Cash Provided by (Used in) Operating Activities	(1,523,236)	1,255,644	(267,592)	(278,129)	
Capital and Related Financing Activities:					
Capital contributions	1,627,723	-	1,627,723	-	
Passenger facility charges	579,576	-	579,576	-	
Acquisition of capital assets	(2,977,921)	-	(2,977,921)	(194,276)	
Interest and fiscal charges paid	(376,027)	-	(376,027)	-	
Reduction in advances from other funds	-	-	-	(152,995)	
Cash Provided by (Used in) Capital and Related Financing Activities	(1,146,649)	-	(1,146,649)	(347,271)	
Non-Capital Financing Activities:					
Cash received from other governmental units	242,289	-	242,289	-	
Transfers from other funds	-	-	-	729,130	
Transfers to other funds	-	(900,000)	(900,000)	-	
Cash Provided by (Used in) Non-Capital Financing Activities	242,289	(900,000)	(657,711)	729,130	
Investing Activities:					
Sale of investments	13,323,640	5,392,000	18,715,640	-	
Purchase of investments	-	(5,844,000)	(5,844,000)	-	
Interest received	184,841	118,616	303,457	-	
Cash Provided by (Used in) Investing Activities	13,508,481	(333,384)	13,175,097	-	
Net Increase in Cash	11,080,885	22,260	11,103,145	103,730	
Cash, beginning of year	662,149	335,399	997,548	511,734	
Cash, end of year	\$ 11,743,034	\$ 357,659	\$ 12,100,693	\$ 615,464	

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Proprietary Funds Statement of Cash Flows (Concluded)

<i>Business-Type Activities - Enterprise Funds</i>				
	<i>Delinquent Tax</i>			<i>Governmental Activities - Internal Service Funds</i>
<i>Year Ended December 31, 2004</i>	<i>Airport</i>	<i>Revolving</i>	<i>Total</i>	
Reconciliation of Operating Income (Loss) to				
Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (1,363,128)	\$ 1,253,219	\$ (109,909)	\$ (270,278)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:				
Depreciation and amortization	1,923,765	-	1,923,765	589,756
(Increase) decrease in:				
Accounts receivable	5,217	-	5,217	(9,079)
Taxes receivable	-	24,963	24,963	-
Penalties and interest receivable	-	(22,538)	(22,538)	-
Due from state of Michigan	(1,124,770)	-	(1,124,770)	-
Inventories	35	-	35	552
Prepaid items	-	-	-	(26,718)
Increase (decrease) in:				
Checks issued against future deposits	-	-	-	78,465
Deposits payable	-	-	-	11,145
Accounts payable	(943,578)	-	(943,578)	(862,854)
Due to other funds	-	-	-	(123,816)
Accrued expenses	(20,777)	-	(20,777)	(239,565)
Liability for estimated claims	-	-	-	574,263
Cash Provided by (Used in) Operating Activities	\$ (1,523,236)	\$ 1,255,644	\$ (267,592)	\$ (278,129)

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets

	<i>Primary Government</i>		
	<i>Trust Funds</i>		<i>Agency Fund</i>
	<i>Pension Trust Fund</i>	<i>Cemetery Trust Fund</i>	
<i>December 31, 2004</i>			
Assets:			
Cash and investments (Note 3)	\$ -	\$ 4,653	\$ 7,366,467
Receivables:			
Employer contributions	78,389	-	-
Accounts	510,660	-	-
Investments, at fair value (Note 3):			
Mutual funds	74,287,019	-	-
Common trust funds	48,526,815	-	-
Corporate debentures	22,773,516	-	-
U.S. government securities	13,031,098	-	-
Money market accounts	2,474,488	-	-
Pooled mortgages	1,621,702	-	-
Total Assets	\$ 163,303,687	\$ 4,653	\$ 7,366,467
Liabilities:			
Due to other funds (Note 4)	\$ -	\$ -	\$ 3,000
Vouchers and accounts payable	46,113	-	-
Due to governmental units	-	-	5,963,759
Benefits payable	1,054,698	-	-
Other payables	-	725	1,399,708
Total Liabilities	1,100,811	725	7,366,467
Net Assets -			
Held in trust:			
Employees' pension benefits	162,202,876	-	-
Individuals and organizations	-	3,928	-
Total Net Assets	162,202,876	3,928	-
Total Liabilities and Net Assets	\$ 163,303,687	\$ 4,653	\$ 7,366,467

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets

	<i>Primary Government</i>	
	<i>Trust Funds</i>	
	<i>Pension Trust Fund</i>	<i>Cemetery Trust Fund</i>
<i>Year Ended December 31, 2004</i>		
Additions:		
Investment income:		
Interest income	\$ 1,503,715	\$ -
Income on pooled separate accounts	307,434	-
Income on common trust funds	4	-
Income on mutual funds	1,698,875	-
Net appreciation in fair value of investments	18,883,522	-
Less investment expense	(559,579)	-
Net investment income	21,833,971	-
Contributions:		
Employer	2,371,399	-
Participant	50,046	-
Total contributions	2,421,445	-
Total Additions	24,255,416	-
Deductions:		
Benefit payments	8,096,046	-
Administrative expenses	318,706	-
Total Deductions	8,414,752	-
Change in Net Assets	15,840,664	-
Net Assets, beginning of year	146,362,212	3,928
Net Assets, end of year	\$ 162,202,876	\$ 3,928

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Component Units Combining Statement of Net Assets

<i>December 31, 2004</i>	<i>Kalamazoo County Road Commission</i>	<i>Kalamazoo Community Mental Health and Substance Abuse Services</i>	<i>At-Large Drains</i>	<i>FIA/ Child Care Welfare</i>	<i>Total</i>
Assets:					
Cash	\$ 2,127,555	\$ 196,279	\$ 16,300	\$ 565,041	\$ 2,905,175
Investments	-	15,271,551	845,550	-	16,117,101
Accounts receivable	389,176	1,205,441	-	-	1,594,617
Due from state of Michigan	2,111,190	964,411	-	-	3,075,601
Inventory	690,568	-	-	-	690,568
Prepaid expenses	130,195	203,496	-	-	333,691
Land	9,041,022	368,153	-	-	9,409,175
Construction in progress	-	56,252	-	-	56,252
Capital assets, net of accumulated depreciation	92,628,176	2,438,290	-	-	95,066,466
Other assets	95,237	165,762	-	-	260,999
Total Assets	\$ 107,213,119	\$ 20,869,635	\$ 861,850	\$ 565,041	\$ 129,509,645
Liabilities:					
Accounts payable	\$ 254,672	\$ 7,580,423	\$ -	\$ -	\$ 7,835,095
Accrued liabilities	164,752	-	-	-	164,752
Due to state of Michigan	-	1,071,933	-	-	1,071,933
Deferred revenue	271,692	1,264,580	-	565,041	2,101,313
Kalamazoo Area Transportation Study	143,150	-	-	-	143,150
Noncurrent liabilities:					
Due within one year	145,300	107,455	-	-	252,755
Due in more than one year	145,300	776,257	-	-	921,557
Total Liabilities	1,124,866	10,800,648	-	565,041	12,490,555
Net Assets:					
Invested in fixed assets, net of related debt	101,366,974	1,978,983	-	-	103,345,957
Restricted - Primary roads	2,736,670	-	-	-	2,736,670
Unrestricted	1,984,609	8,090,004	861,850	-	10,936,463
Total Net Assets	106,088,253	10,068,987	861,850	-	117,019,090
Total Liabilities and Net Assets	\$ 107,213,119	\$ 20,869,635	\$ 861,850	\$ 565,041	\$ 129,509,645

See accompanying notes to basic financial statements.



		<i>Program Revenues</i>		
<i>Year Ended December 31, 2004</i>	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
Component Units:				
Road Commission - Highways and streets	\$ 15,262,769	\$ 209,029	\$ 13,590,204	\$ 7,278,327
Kalamazoo Community Mental Health and Substance Abuse Services - Health and welfare	83,426,866	1,599,268	80,949,295	-
At-Large Drains	54,897	-	-	-
FIA/Child Care Welfare	2,468,280	133,334	1,591,718	-
Total Component Units	\$ 101,212,812	\$ 1,941,631	\$ 96,131,217	\$ 7,278,327
General Revenues:				
Unrestricted investment earnings				
Other				
Total General Revenues				
Change in Net Assets				
Net Assets, beginning of year				
Net Assets, end of year				

County of Kalamazoo, Michigan

Component Units Combining Statement of Activities

<i>Net Revenue (Expense) and Changes in Net Assets</i>				
<i>Road Commission</i>	<i>Kalamazoo Community Mental Health and Substance Abuse Services</i>	<i>At-Large Drains</i>	<i>FIA/ Child Care Welfare</i>	<i>Total</i>
\$ 5,814,791	\$ -	\$ -	\$ -	\$ 5,814,791
-	(878,303)	-	-	(878,303)
-	-	(54,897)	-	(54,897)
-	-	-	(743,228)	(743,228)
5,814,791	(878,303)	(54,897)	(743,228)	4,138,363
	146,780	4,079		150,859
2,295,398	1,550,400	88,488	743,228	4,677,514
2,295,398	1,697,180	92,567	743,228	4,828,373
8,110,189	818,877	37,670	-	8,966,736
97,978,064	9,250,110	824,180	-	108,052,354
\$106,088,253	\$ 10,068,987	\$ 861,850	\$ -	\$ 117,019,090

See accompanying notes to basic financial statements.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements

1. Description of the County

The County of Kalamazoo, Michigan (the County) was organized as a county by the territorial legislation and approved by the governor on July 30, 1830. The County is a municipal corporation governed by the elected nine-member Board of Commissioners (the County Board). The County provides the following services: public safety, health and social services, judicial, recreation and culture, public improvements, and general governmental administrative services.

2. Summary of Significant Accounting Policies

Reporting Entity

These financial statements present the County (primary government) and its component units. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Blended component units, although legally separate entities, are part of the County's operations and data from these units are combined with data of the primary government. Each discretely presented component unit is reported in a separate column to emphasize it is legally separate from the County. Each blended and discretely presented component unit has a December 31 year-end, except for the Kalamazoo Community Mental Health and Substance Abuse Services, which has a September 30 year-end.

Blended Component Unit -

Building Authority

The Kalamazoo County Building Authority is governed by a three-member board of directors appointed by the County Board. Although it is legally separate from the County, the Kalamazoo County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Discretely Presented Component Units:

Road Commission

The Kalamazoo County Road Commission, established pursuant to the County road law (MCL 224.1), is governed by an appointed three-member Board of County Road Commissioners. The Kalamazoo County Road Commission may not issue debt or levy a tax without the approval of the County Board. If approval is granted, road commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy, as well as reported in the County Road Fund.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Economic Development Corporation

The Economic Development Corporation (EDC), established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine-member board of directors appointed by the County Board. The EDC may not issue debt without the County Board approval. The EDC had no financial activity in 2004 and is therefore excluded from the Component Units Combining Statements of Net Assets and Activities.

Family Independence Agency

The Family Independence Agency accounts for assistance provided to eligible recipients and the administering of various county, state, and federal programs. Financing is provided through the various state and federal program grants and General Fund appropriations. The board consists of one member appointed by the director of the State Family Independence Agency and two members appointed by the County Board.

County Drain Commission

Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage, and dispose of real and personal property, etc. The statutory drainage board of Chapter 20 (MCL 280.461 et seq.) drainage districts consists of the drain commissioner, the chair of the County Board, and one other member of the County Board. The statutory drainage board of Chapter 5 (MCL 280.101 et seq.) and Chapter 6 (MCL 280.121 et seq.) drainage districts consists of the State Director of Agriculture and the drain commissioner of each county involved in the project.

The County drain commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 (MCL 280.51 et seq.) and Chapter 4 (MCL 280.71 et seq.) of the Drain Code. The drainage board or drain commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board. The full faith and credit of the County may be given for the debt of the drainage district. Under the provisions of Chapter 21 (MCL 280.511 et seq.) drainage districts, an augmented drainage board is created for each petitioned project, consisting of members of the drainage board together with the chairperson of the County Board. The statutory drainage board of Chapter 8 (MCL 280.191 et seq.) drainage districts consists of the drain commissioner, the State Director of Agriculture, and commissioners of each county involved.

Kalamazoo Community Mental Health and Substance Abuse Services

The Kalamazoo Community Mental Health and Substance Abuse Services (the Authority) was created by the County Board to operate, control, and manage an integrated behavioral healthcare system in order to serve the County. Prior to 1997, revenues and expenses, and the resultant assets, liabilities, and equity were blended with governmental funds of the primary government. The Authority is governed by the Kalamazoo Community Mental Health and Substance Abuse Services Board, appointed by the County Board. The primary government also provides financial support annually to the Authority.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Complete financial statements of the Kalamazoo County Road Commission and the Kalamazoo Community Mental Health and Substance Abuse Services may be obtained from their individual administrative offices. Separately issued financial statements of all other discretely presented component units are not available.

Administrative Offices

Kalamazoo County Road Commission
3801 East Kilgore Road
Kalamazoo, Michigan 49002

Kalamazoo Community Mental Health and Substance Abuse Services
3299 Gull Road, P.O. Box 63
Nazareth, Michigan 49074-0063

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available, it is the County's policy to use restricted resources first.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

The County reports the following major governmental funds:

General Fund - This fund is the County's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Law Enforcement Fund - This fund accounts for specific revenue derived from state and federal grants, charges for services, and General Fund appropriations that are to be expended as dictated by legal, regulatory, or administrative requirements.

Revenue Sharing Reserve Fund - This fund accounts for the gradual shift in county property tax millage from a winter tax levy to a summer tax levy as required by Michigan State's Public Act 357 of 2004. The County did not adopt a budget for this fund as the Act was implemented during the year.

The County reports the following enterprise funds:

Airport Fund - This fund accounts for the operation and maintenance of the Kalamazoo-Battle Creek International Airport. Financing is provided primarily by user charges.

Delinquent Tax Revolving Fund - This fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent taxes and fees. Revenues are generated by the collection of the delinquent taxes and fees.

Additionally, the County reports the following fund types;

Special Revenue Funds - These funds are used to account for specific revenue derived from state and federal grants, General Fund appropriations, and charges for services that are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, including payments made in connection with the County administration building under a lease purchase arrangement with the Kalamazoo County Building Authority.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major facilities other than those financed by Proprietary Fund operations.

Internal Service Funds - These funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis.

Pension Trust Fund - This fund accounts for the accumulation of resources to be used for annuity payments for the County's Defined Benefit Plan.

Cemetery Trust Fund - This fund accounts for money held in trust by the County for the perpetual care of certain cemetery lots. The principal must be maintained intact and invested.

Agency Funds - These funds account for money collected and held by the County in a custodian capacity. Funds primarily represent taxes and court fees to be distributed to other governmental units or private entities.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the County considers revenues available if they are collected within 90 days of the end of the current fiscal period except taxes, which must be collected within 60 days. Taxes, intergovernmental revenues, and interest associated with the current period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the County follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements.

Cash, Cash Equivalents, and Investments

Cash includes both individual and pooled accounts. Within the pooled accounts, certain funds have a negative balance. This practice allows the County to borrow internally instead of externally. Generally, these borrowings are short-term and will be reimbursed through current taxes receivable collections and reimbursements from the state of Michigan, therefore, interest is not charged on these interfund borrowings.

For purposes of the Statement of Cash Flows, demand deposits and certain liquid investment pools are considered cash equivalents.

All investments are reported at fair value, with changes in value recognized in the operating statement of each fund. Realized gains and losses are included in earnings. Currently, investments of all funds, except those of the Kalamazoo County Employees' Retirement System (KCERS), a trust fund type, consist of money market funds and government securities; none of which have a holding period in excess of one year. Accordingly, such securities are carried in the financial statements at cost, approximating fair value. The County did not experience a change in fair value (realized or unrealized) in securities held outside KCERS.

Interfund Transactions

All outstanding balances between funds are reported as "due to/from other funds." Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the non-current portion of advances that are not available for appropriation and are not expendable available financial resources.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Inventories and Prepaid Expenditures

Inventories reported in the Proprietary Funds are valued at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventories of the discretely presented component unit are presented at average cost. The cost of governmental fund type inventories is recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Capital Assets

Capital assets, which include property, buildings, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets having a useful life in excess of three-years and whose costs exceed \$1,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date. Infrastructure assets, including roads, bridges, and traffic signals have been included as current year acquisitions by the Kalamazoo County Road Commission. Retroactive reporting of infrastructure by the Kalamazoo County Road Commission was implemented in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value.

Property, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives.

Land improvements	20 years
Infrastructure	5-50 years
Building and improvements	15-50 years
Furniture, machinery, and equipment	5-20 years
Vehicles	5 years

Restricted Assets

Assets, which are restricted for specified uses by bond debt requirements, grant provisions, or other external requirements, are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

Restricted assets in the Airport Fund relate to grant proceeds restricted for airport construction and passenger facility charges restricted for capital improvements.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Property Taxes

Properties are assessed as of December 31, and their related property taxes are levied on December 1 of the following year. These taxes are due February 14, with the final collection date of February 28, before they are added to the County delinquent tax rolls. The County's portion of the 2003 property tax levy, received in 2004, was based on a rate of approximately 6.1362 mills, applied to a total taxable value of real and personal property located in the county of \$6,461,200,615.

Due to the implementation of Michigan State Public Act 357 of 2004, one-third of the County's December 1, 2004, tax levies were allocated to the Revenue Sharing Reserve Fund and available for use in 2004. On December 1, 2004, the County levied \$10,654,932 for the Revenue Sharing Reserve Fund, all of which was recorded as revenues for the year ended December 31, 2004.

Taxes levied on December 1, 2004, for the General Fund and Law Enforcement Fund are budgeted for use for the year ended December 31, 2005, and are not considered available for use in 2004. On December 1, 2004, the County levied a total of \$31,192,352 for the General Fund and Law Enforcement Fund, based on a rate of approximately 6.1362 mills and a total taxable value of real and personal property of \$6,819,739,313, all of which was deferred at December 31, 2004. The County collected \$2,389,609 of December 1, 2004, levied taxes in 2004, which will not be recorded in revenues until January, 2005.

Contributions and Appropriations

Contributions and appropriations between funds are accounted for as transfers.

Compensated Absences

County employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination or retirement, employees are paid for unused vacation and sick leave reduced to the maximum amount allowed. Vacation and sick pay is accrued when incurred in the government-wide and Proprietary Fund financial statements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund types statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Budgets and Budgetary Accounting

The County Board annually adopts budgets on a basis consistent with generally accepted accounting principles for its General Fund and Special Revenue Funds. State statutes do not require legally adopted budgets for Debt Service Funds or Capital Projects Funds.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control is the department or activity level. Budgetary accounts are formally integrated within the accounting records and are used to control expenditures so that budget limitations are not exceeded. Management is not authorized to make budget adjustments between categories of budgets. All budget amendments must be approved by the County Board. Budget amendments, both individually and in total, were not material in relation to the original appropriations. All unexpended appropriations lapse at year-end.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Risk Management

The County and its component units are exposed to various risks of loss related to general liability, property and crime, workers' compensation, and employee health and medical claims.

The County reports risk management related to general liability, property, and crime incidents primarily in its General Fund. To the extent possible, the General Fund recovers a portion of its risk management costs from all other funds through an indirect cost allocation plan. Risk management related to the operation of the Kalamazoo-Battle Creek International Airport, is reported in the Enterprise Fund of the County.

The County reports risk management related to workers' compensation and employee health and medical incidents in the Employee Benefit Fund (an Internal Service Fund). All funds of the County participate in the Internal Service Funds. This fund allocates the cost of purchasing commercial insurance and sets aside assets for claim settlement by charging a "premium" to each fund based on the level of payroll recorded.

The Kalamazoo County Road Commission and the Kalamazoo Community Mental Health and Substance Abuse Services report all risk management in their operating (general) fund. All other component units participate, to the extent possible, in the indirect cost allocation plan of the primary government.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

3. Cash and Investments

Deposits and Investments

A reconciliation of cash and investments as shown in the combined Statement of Net Assets to the County's deposits and investments consists of the following:

	<i>Primary Government</i>	<i>Fiduciary Funds</i>	<i>Component Units</i>		<i>Total</i>
			<i>Governmental Fund Types</i>	<i>Proprietary Fund Types</i>	
Cash	\$31,175,639	\$ 7,371,120	\$ 2,708,896	\$ 196,279	\$ 41,451,934
Investments	5,944,000	162,714,638	845,550	15,271,551	184,775,739
Assets restricted for future interest payments - Investment	705,183	-	-	-	705,183
	<u>\$37,824,822</u>	<u>\$ 170,085,758</u>	<u>\$ 3,554,446</u>	<u>\$15,467,830</u>	<u>\$ 226,932,856</u>
Deposits	\$31,154,315	\$ 7,371,120	\$ 2,705,496	\$ 196,279	\$ 41,427,210
Investments	6,649,183	162,714,638	845,550	15,271,551	185,480,922
Cash on hand	21,324	-	3,400	-	24,724
	<u>\$37,824,822</u>	<u>\$ 170,085,758</u>	<u>\$ 3,554,446</u>	<u>\$15,467,830</u>	<u>\$ 226,932,856</u>

Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. For purposes of the following risk disclosure for the corresponding bank balance of deposits with financial institutions at year-end, the insured portion has been allocated to the primary government first.

	<i>Component Units</i>			<i>Total</i>
	<i>Primary Government</i>	<i>Governmental Fund Types</i>	<i>Proprietary Fund Types</i>	
Insured	\$ 620,012	\$ 217,366	\$ 100,000	\$ 937,378
Uninsured and uncollateralized	44,960,551	2,092,810	99,548	47,152,909
	<u>\$ 45,580,563</u>	<u>\$ 2,310,176</u>	<u>\$ 199,548</u>	<u>\$ 48,090,287</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the County treasurer (including individual deposit accounts in its component units). Michigan Compiled Laws, Section 129.91, authorized the County to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The County's deposits are in accordance with statutory authority.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Investments

State statutes authorize the County to invest in: a) obligations of the U.S. Treasury, agencies, and instrumentalities, b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days, c) repurchase agreements, collateralized by U.S. governmental securities, d) bankers' acceptances, and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper. The retirement fund may also invest in corporate equities, notes, and debenture and real estate equities. The retirement fund's investment in commercial paper, corporate equities, and real estate may not exceed 50%, 70%, and 5%, respectively, of plan assets, measured at market.

The Municipal Investment Fund is not subject to regulatory oversight, is not registered with the SEC, and does not issue a separate report. The Municipal Investment Fund has not provided or obtained any legally binding guarantees during the period to support the value of the shares. Investments are valued monthly.

The County's investments are categorized as follows to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured, registered, or where the County or its agent in the County's name holds the securities. Category 2 includes uninsured and unregistered investments where the securities are held by the dealer banks' trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments where the securities are held by the counter-party or by its trust department but not in the County's name.

Primary Government	Category				Fair Value	
	1	2	3			
Categorized Investments:						
U.S. government securities	\$	-	\$13,031,098	\$	-	\$ 13,031,098
Corporate debentures		-	22,773,516		-	22,773,516
Total Categorized Investments	\$	-	\$35,804,614	\$	-	35,804,614
Non-Categorized Investments (fair value equals value of fund or accounts):						
Common trust funds (SEC registered)						1,621,702
Mutual funds						74,287,019
Pooled mortgages						48,526,815
Total Non-Categorized Investments						124,435,536
Deposits:						
Money market accounts						2,474,488
Certificate of deposit						6,649,183
Total Deposits						9,123,671
Total Investments						\$ 169,363,821

The Pension Trust Fund (the Plan) owns 100% of U.S. government securities, corporate debentures, pooled mortgages, common trust funds, mutual funds, and money market accounts.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

The investment policy of the Plan permits the prudent use of derivatives to reduce portfolio risk and enhance return. Under the terms of the investment agreements, managers of investment portfolios are to report, on a quarterly basis, all derivative holdings. The Plan's trustees monitor these reports to evaluate the Plan's exposure to credit, market, and legal risk. The S&P 500 Index Fund and Value Fund (common trust funds) utilize certain derivatives including futures and swaps. Aggregate holdings in derivatives at December 31, 2004, represented 0.8% of total investments in the Pension Trust Fund.

Component Units	Category			Fair Value
	1	2	3	
Categorized Investments -				
Proprietary Fund Type -				
U.S. government securities	\$ 7,555,966	\$ -	\$ -	\$ 7,555,966
Non-Categorized Investments (fair value equals value of account) -				
Proprietary Fund Type -				
Municipal investment fund				7,715,585
Deposits -				
Governmental Fund Type -				
Certificate of Deposit				845,550
Total Investments				\$ 16,117,101

Investment return for all funds (except the Pension Trust Fund) and component units consists solely of interest income. Investment return of the Pension Trust Fund includes appreciation (depreciation) in fair value, interest income, and returns on common/collective trusts, mutual funds, and an account with an insurance company.

4. Due From/To Other Funds

The amounts due from/to other funds consist of the following:

<i>Receivable Entity</i>	<i>Payable Entity</i>	<i>Amount</i>
Primary Government -	Special Revenue Fund -	
General Fund	Revenue Sharing Reserve Fund	\$ 2,297,918
Fiduciary Fund -	Internal Service Fund -	
Retirement Fund	Employee Benefits Fund	\$ 78,389
Primary Government -	Fiduciary Fund -	
General Fund	KCSD Bail Bond Fund	\$ 3,000

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Interfund Balances

Interfund balances arise in the normal course of business and represent either (1) timing differences between dates that transactions are recorded in the accounting system or payments between funds are made; or (2) interfund loans outstanding at the end of the fiscal year.

The long-term advances represent cash working capital advances as follows:

<i>Fund</i>	<i>Advances to Other Funds</i>	<i>Fund</i>	<i>Advances from Other Funds</i>
General Fund	\$ 300,000	Capital Projects Fund - Drains	\$ 300,000

General Fund Advance to the Drain Fund

To accommodate the payment of Drain Fund related expenditures prior to assessments levied, the General Fund has advanced \$300,000 to the Drain Fund. A 2005 budget policy adopted by the board of commissioners establishes the advance at a level of \$150,000 with the recognition that appropriate drain assessments occur in order to bring the advance to a more appropriate level.

Interfund transfers for the year ended December 31, 2004, consisted of the following:

	<i>General Fund</i>	<i>Law Enforcement</i>	<i>Revenue Sharing Reserve</i>	<i>Nonmajor Governmental</i>	<i>All Others</i>	<i>Total Transfers In</i>
<i>Transfer to:</i>						
General Fund	\$ -	\$ -	\$ 2,297,918	\$ 37,186	\$ 900,000	\$ 3,235,104
Nonmajor						
Governmental	10,183,258	257,346	-	141,282	-	10,581,886
Internal Service	729,130	-	-	-	-	729,130
Total Transfers Out	\$ 10,912,388	\$ 257,346	\$ 2,297,918	\$ 178,468	\$ 900,000	\$ 14,546,120

Interfund Transfers

Interfund transfers are used as sources of financing the funds receiving the transfers and do not require a repayment to the fund making the payment.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

5. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

<i>Primary Government</i>	<i>Balance, January 1, 2004</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, December 31, 2004</i>
Government Activities:				
Capital assets not depreciated:				
Land	\$ 1,004,255	\$ -	\$ -	\$ 1,004,255
Construction in progress	-	738,079	-	738,079
Capital assets depreciated:				
Land improvements	4,337,178	576,331	-	4,913,509
Buildings and improvements	25,828,835	185,393	-	26,014,228
Furniture, machinery, and equipment	10,132,193	572,454	285,504	10,419,143
Vehicles	4,747,889	598,612	207,948	5,138,553
Law library books	405,392	-	-	405,392
Totals at Historical Cost	46,455,742	2,670,869	493,452	48,633,159
Less accumulated depreciation:				
Land improvements	1,527,998	206,645	-	1,734,643
Buildings and improvements	19,141,993	848,747	-	19,990,740
Furniture, machinery, and equipment	6,790,222	775,949	259,212	7,306,959
Vehicles	3,250,803	605,797	182,845	3,673,755
Law library books	405,392	-	-	405,392
Total accumulated depreciation	31,116,408	2,437,138	442,057	33,111,489
Total Governmental Activities - Net Capital Assets	\$ 15,339,334	\$ 233,731	\$ 51,395	\$ 15,521,670

Depreciation expense was charged to governmental functions as follows:

General government	\$ 293,545
Public safety	750,433
Health and welfare	593,687
Recreation and culture	399,613
Judicial	386,937
Other	12,923
Total Depreciation Expense	\$ 2,437,138

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

<i>Primary Government</i>	<i>Balance, January 1, 2004</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, December 31, 2004</i>
Business-Type Activities:				
Capital assets not depreciated:				
Land	\$ 3,730,280	\$ -	\$ -	\$ 3,730,280
Construction in progress	2,474,167	2,918,453	1,064,040	4,328,580
Capital assets depreciated:				
Land improvements	26,220,676	311,439	-	26,532,115
Buildings and improvements	9,165,141	353,344	-	9,518,485
Furniture, machinery, and equipment	5,738,347	458,725	-	6,197,072
Totals at Historical Cost	47,328,611	4,041,961	1,064,040	50,306,532
Less accumulated depreciation:				
Land improvements	12,203,284	1,071,485	-	13,274,769
Buildings and improvements	6,257,993	434,661	-	6,692,654
Furniture, machinery, and equipment	3,244,426	417,619	-	3,662,045
Total accumulated depreciation	21,705,703	1,923,765	-	23,629,468
Total Business-Type Activities - Net Capital Assets	\$25,622,908	\$ 2,118,196	\$1,064,040	\$ 26,677,064

Capital asset activity for the Kalamazoo Community Mental Health and Substance Abuse Services for the year ended December 31, 2004, was as follows:

<i>Discretely Presented Component Units</i>	<i>Balance, January 1, 2004</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, December 31, 2004</i>
Kalamazoo Community Mental Health and Substance Abuse Services				
Capital Assets:				
Capital assets not depreciated:				
Land	\$ 398,173	\$ -	\$ 30,020	\$ 368,153
Construction in progress	1,960	54,292	-	56,252
Capital assets depreciated:				
Buildings	1,486,004	-	-	1,486,004
Equipment and furniture	1,891,489	34,995	41,922	1,884,562
Site improvements	1,187,219	11,224	-	1,198,443
Motor vehicles	159,953	-	-	159,953
	5,124,798	100,511	71,942	5,153,367
Less accumulated depreciation	2,062,439	270,155	41,922	2,290,672
Total Kalamazoo Community Mental Health and Substance Abuse Services Capital Assets, net	\$ 3,062,359	\$ (169,644)	\$ 30,020	\$ 2,862,695

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Capital asset activity for the Kalamazoo County Road Commission for the year ended December 31, 2004, was as follows:

<i>Discretely Presented Component Units</i>	<i>Balance, January 1, 2004</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, December 31, 2004</i>
Road Commission Capital Assets:				
Capital assets not depreciated:				
Land and improvements, infrastructure	\$ 5,827,296	\$ 2,236,691	\$ -	\$ 8,063,987
Land and improvements	1,198,399	-	-	1,198,399
Capital assets depreciated:				
Buildings and improvements	3,432,478	35,095	485,623	2,981,950
Road equipment	5,675,163	439,868	45,557	6,069,474
Other equipment	1,216,260	7,800	87,033	1,137,027
Infrastructure and improvements	158,728,081	11,374,144	-	170,102,225
	176,077,677	14,093,598	618,213	189,553,062
Less accumulated depreciation	80,422,836	8,005,888	544,860	87,883,864
Total Kalamazoo County Road Commission Capital Assets, net	\$95,654,841	\$ 6,087,710	\$ 73,353	\$ 101,669,198

6. Long-Term Debt

Changes in long-term liabilities were as follows:

<i>Primary Government</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Government Activities:					
Bonds and notes payable -					
General obligation debt	\$ 14,620,000	\$ 5,061,000	\$ 4,425,000	\$ 15,256,000	\$ 1,536,688
Other liabilities -					
Compensated absences	2,821,078	2,618,569	2,443,624	2,996,023	929,749
Total Long-Term Liabilities - Governmental Activities	\$ 17,441,078	\$ 7,679,569	\$ 6,868,624	\$ 18,252,023	\$ 2,466,437
Business-Type Activities -					
Bonds payable -					
General obligation debt	\$ 9,500,000	\$ -	\$ -	\$ 9,500,000	\$ -

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

<i>Discretely Presented Component Unit</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Total Long-Term Liabilities - Governmental Activities -					
Notes payable -					
Land contracts	\$ 435,900	\$ -	\$ 145,300	\$ 290,600	\$ 145,300
Total Long-Term Liabilities - Business-Type Activities -					
Mortgage payable	\$ 985,731	\$ -	\$ 102,019	\$ 883,712	\$ 107,455

Long-term bonds and notes at December 31, 2004, is comprised of the following:

<i>Primary Government</i>	<i>Final Maturity Dates</i>	<i>Interest Rates</i>	<i>Outstanding Balance</i>
Governmental Activities:			
1982 Water Supply System No. 1 Bonds	5/1/2020	5.00%	\$ 245,000
1993 Comstock Sewage Disposal System Bonds	5/1/2013	4.60-5.20%	1,400,000
1996 Sewage Disposal System No. 7 Bonds	5/1/2016	4.75-5.88%	1,400,000
1998 Indian Lake/Pickerel Lake Sewage Disposal System Bonds	6/1/2017	4.15-4.30%	4,750,000
2001 Cooper Township Sanitary Sewage Disposal System Bonds	5/1/2021	3.45-6.38%	2,400,000
2004 Townline Drain Drainage District Note	6/1/2007	2.24%	135,000
2004 Gilbert Drain Drainage District Note	6/1/2008	2.84%	150,000
2004 Carter Bowers Intercounty Drain Drainage District Note	6/1/2008	2.84%	116,000
2004 Texas Township Refunding Sanitary Sewage Disposal System Bonds	5/1/2013	2.50-4.00%	2,910,000
2004 Keystone Bank Note	10/1/2009	3.34%	1,750,000
Total Governmental Activities			\$ 15,256,000
Business-Type Activities -			
2003 Building Authority Airport Facilities Bonds	5/1/2028	2.60-4.60%	\$ 9,500,000
Discretely Presented Component Units:			
Business-Type Activities - Kalamazoo Community Mental Health and Substance Abuse Services - Mortgage payable	10/1/2011	5.26%	\$ 883,712
Governmental Activities - Road Commission - Land contract	2006	8.00%	\$ 290,600

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Details of Advance Refunding

During 2004, the government advance refunded two general obligation bond issues with a general obligation refunding. The government issued \$2,910,000 of general obligation refunding bonds to lower interest costs and reduce debt service requirements. The proceeds were deposited with the escrow agent. As a result, the refunded bonds are considered defeased and the liability has been removed from the County's financial statements. This advance refunding was undertaken to reduce total debt service payments over the next nine years by \$120,745 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$104,788.

Defeased Debt Outstanding

At December 31, 2004, outstanding general obligation bonds of \$2,800,000 are considered defeased. These are as follows:

	<i>Defeased Debt Outstanding</i>
Government Activities General Obligation Debt:	
1991 Texas Township Sanitary Sewage Disposal Bonds	\$ 850,000
1993 Texas Township Disposal System Bonds	1,950,000
	\$ 2,800,000

The County has entered into agreements to lease certain facilities acquired and constructed by the Kalamazoo County Building Authority. The agreements are, in substance, lease purchases. Upon termination of the lease agreements, titles to the facilities and equipment will pass to the County.

The full faith, credit, and resources of the County have been pledged for the prompt payment of all long-term debt requirements except for the Village of Climax Water Supply Bonds.

There are a number of limitations and restrictions contained in the various debt issues. At December 31, 2004, the County complied with all significant limitations and restrictions.

The compensated absence liability attributable to the governmental activities will be liquidated by the County's General, Law Enforcement, Nazareth Facility, Parks, FOC, Health, Child Care, Sheriff Road Patrol, HSD Pooled Costs, and Head Start Funds.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

The annual requirements to pay principal and interest on long-term bonds and notes outstanding for the primary government are as follows:

<i>Year Ending December 31,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	\$ 1,536,688	\$ 615,163	\$ -	\$ 371,400
2006	1,505,148	540,792	200,000	368,800
2007	1,531,601	485,573	200,000	363,600
2008	1,518,382	428,430	200,000	358,250
2009	1,469,181	370,489	250,000	351,750
2010 - 2014	4,960,000	1,125,594	2,250,000	1,565,125
2015 - 2019	2,325,000	299,744	3,000,000	1,058,600
2020 - 2024	410,000	19,600	2,600,000	438,550
2025 - 2029	-	-	800,000	73,600
	<u>\$ 15,256,000</u>	<u>\$ 3,885,385</u>	<u>\$ 9,500,000</u>	<u>\$ 4,949,675</u>

The annual requirements to pay principal and interest on long-term bonds and notes outstanding for the component units are as follows:

<i>Year Ending December 31,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	\$ 145,300	\$ 23,248	\$ 107,455	\$ 45,089
2006	145,300	11,624	113,182	39,362
2007	-	-	119,214	33,330
2008	-	-	125,566	26,977
2009	-	-	132,258	20,286
2010 - 2011	-	-	286,037	19,051
	<u>\$ 290,600</u>	<u>\$ 34,872</u>	<u>\$ 883,712</u>	<u>\$ 184,095</u>

From time to time, the County, through its Economic Development Corporation, has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entities. Neither the County, the state of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2004, there was one Industrial Revenue Bond outstanding: W.B.C. Properties Limited Partnership Project, 5.75% \$6,005,000 Series, issued September 1, 1985, due in full in 2015.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

7. Retirement Commitments

Defined Benefit Plan (the Plan)

Plan Description

The Plan was established on March 1, 1960, to provide retirement and disability benefits to the employees of the County. The Plan is an agent multiple employer, defined benefit pension plan that covers all eligible employees of the primary government, and its discretely presented component units. Each participating employer establishes benefit provisions when the employer elects to participate in the Plan. The individual participating employers may amend benefit provisions. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Beginning in 1997, participants could elect to receive their benefit in the form of a lump-sum amount rather than as a monthly annuity. Periodically, monthly annuity benefits for retirees and beneficiaries have been adjusted to reflect changes in cost of living, at the discretion of the participating employer.

At December 31, 2003, the date of the most recent actuarial valuation, there were three participating employers consisting of the primary government, the Kalamazoo County Road Commission, and the Kalamazoo Community Mental Health and Substance Abuse Services. The Plan is administered by the Kalamazoo County Employees' Retirement System (the System). The System issues a publicly available financial report that includes financial statements and required supplemental information of the Plan. The financial report may be obtained by writing to the Office of Finance, County of Kalamazoo, 201 West Kalamazoo Avenue, Kalamazoo, Michigan 49007, or by calling 269-384-8088.

Contributions

Employee contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Under the terms of the Plan, certain participants are required to contribute to the Plan. These contributions are allocated exclusively to fund the future benefit of the participant. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates expressed as a percentage of payroll. Administrative costs of the Plan are financed through investment earnings.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued based on future principal and interest payments, and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

The following schedule identifies specific investments held that exceed 5% of total assets at December 31, 2004:

	<i>Number of Shares or Face Value</i>	<i>Fair Value</i>
Common trust funds -		
Barclays Global Investors - Equity Index Fund	148,346	\$ 48,526,815

U.S. government securities, corporate debentures, money market accounts, and pooled mortgages are uninsured and unregistered investments, for which the securities are held by the broker's or dealer's trust department or agent in the Plan's name.

Annual Pension Cost

Annual pension costs of the primary government and its discretely-presented component units, which were equal to the required contributions at December 31, 2004, are summarized as follows:

Primary Government	\$ 2,684,452
Kalamazoo County Road Commission	192,645
Kalamazoo Community Mental Health and Substance Abuse Services	1,013,247
	\$ 3,890,344

The required contributions for all participating employers were determined as part of the December 31, 2003, actuarial valuation using the entry age actuarial cost method for each employer. The actuarial assumptions included a) 7.75% investment rate of return, net of administrative expenses, b) projected salary increases ranging from 4.5% to 9.5% (4.5% to 10.8% for the Kalamazoo County Road Commission and 4.5% to 8.6% for the Kalamazoo Community Mental Health and Substance Abuse Services) per year, including pay inflation at 4.5%, and c) no cost of living adjustments. The actuarial value of the Plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued asset is amortized over a closed period of 13 years (17 years for the Kalamazoo County Road Commission) as a level percent of payroll.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Three-year trend information (as available) for each employer is as follows:

	<i>Fiscal Year Ended</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
		\$	%	\$
Primary Government:	12/31/2001	667,714	102.5	-
	12/31/2002	597,452	87.7	-
	12/31/2003	2,684,452	99.8	-
Kalamazoo County Road Commission:	12/31/2001	-	100.0	-
	12/31/2002	-	100.0	-
	12/31/2003	192,645	103.1	-
Kalamazoo Community Mental Health and Substance Abuse Services:	9/30/2002	501,995	100.0	-
	9/30/2003	982,647	100.0	-
	9/30/2004	1,013,247	100.0	-

As of December 31, 2003, the County contributed 99.8% of the annual pension cost that resulted in a short-term difference. The County intends to settle this short-term difference within the following year and therefore is not required to record a net pension obligation.

<i>Employer</i>	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) - Entry Age</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
		\$	\$	\$	%	\$	%
Primary Government:	12/31/2001	111,610,618	83,335,554	(28,275,064)	133.9	29,725,676	(95.1)
	12/31/2002	106,383,340	99,312,998	(7,070,342)	107.1	30,376,717	(23.3)
	12/31/2003	99,498,957	87,719,880	(11,779,077)	113.4	28,267,177	(41.7)
Kalamazoo County Road Commission:	12/31/2001	17,503,418	12,120,480	(5,382,938)	144.4	2,710,965	(198.6)
	12/31/2002	16,147,397	13,789,623	(2,357,774)	117.1	2,812,810	(83.8)
	12/31/2003	1,632,860	14,385,904	(1,935,956)	113.5	2,887,703	(67.0)
Kalamazoo Community Mental Health and Substance Abuse Services:	12/31/2001	17,053,135	13,017,823	(4,035,312)	131.0	7,458,238	(48.4)
	12/31/2002	17,695,566	17,223,784	(471,782)	102.7	8,686,961	(54.1)
	12/31/2003	16,153,856	13,782,313	(2,371,543)	117.2	7,295,382	(32.1)
Totals:	12/31/2001	146,167,171	108,473,857	(37,693,314)	134.7	39,894,879	(0.94)
	12/31/2002	140,226,303	130,326,405	(9,899,898)	107.6	41,876,488	(0.24)
	12/31/2003	117,285,673	115,888,097	(16,086,576)	101.2	38,450,262	(0.42)

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Defined Contribution Plans

Primary Government – Sheriff's Department

The County provides pension benefits for all of its full-time employees of the Sheriff's Department not covered by the Kalamazoo County Employees' Retirement System through a defined contribution plan, established and administered by the Fraternal Order of Police, Lodge No. 98 (FOP). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The County contributes an amount equal to 16.0% of the employee's base salary each pay period. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into a participant's account. The County made the required 2004 contribution of \$1,775,741. The County is not a fiduciary with respect to this plan and, accordingly, assets and liabilities of the plan have been excluded from these financial statements.

Primary Government - Other

Currently, the County administrator, one Probate Court Judge, and four District Court employees have elected not to participate in the County's defined benefit plan described above. The probate judge is considered a state of Michigan employee and has elected to participate in a state of Michigan retirement plan under which the State and participant share in the cost of the plan. The County has agreed to contribute, on behalf of the County administrator and District Court employees, to defined contribution plans that are administered by unrelated third parties. The County made the required 2004 contributions on behalf of the administrator and District Court employees of \$13,135 and \$23,067, respectively. The County is not a fiduciary with respect to these plans and, accordingly, the assets and liabilities of the plans have been excluded from these financial statements.

Component Unit, Kalamazoo Community Mental Health and Substance Abuse Services (the Authority)

When the Authority became a separate legal entity, its employees elected not to participate in the Social Security System. To provide its employees with a similar retirement benefit, the Authority sponsored a 401(h) Plan. Under the terms of this plan, which is a defined contribution plan, both the Authority and its employees are required to contribute the same amounts that would be due if the Authority had elected to participate in the Social Security System. For the year ended September 30, 2004, the Authority and its employees each made the required contribution of \$218,469 on a covered payroll of \$7,016,313. The Authority is not a fiduciary with respect to this plan and, accordingly, assets and liabilities of the plan have been excluded from these financial statements.

Other Post Employment Benefits

In addition to the pension benefits described above, the County provides post employment health benefits, according to the requirements of a county board of commissioner's resolution and/or collective bargaining agreements. Active participants of the defined benefit pension plan, who retire at age 55 with eight or more years of service, are eligible for this benefit. Active participants of the FOP defined contribution plan are eligible under the terms of their collective bargaining agreement. Currently, 251 retirees of the primary government, 54 retirees of the FOP, 51 retirees of the Kalamazoo County Road Commission, and 26 retirees of the Kalamazoo Community Mental Health and Substance Abuse Services meet these eligibility requirements.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

The County purchases commercial health insurance to provide this benefit that is provided for the life of the retiree. The insurance policy provides coverage of medical expenses and costs for all pre-Medicare age retirees similar to the benefit available to active employees. A reduced coverage policy, or Medicare supplement, is provided for each retiree eligible for Medicare. Dependent coverage, if requested, is financed by contributions by the retiree. Expenditures for post employment benefits are recognized on the pay-as-you-go method. During 2004, expenditures of \$1,169,505 (\$1,666,791 in 2003), net of retiree contributions of \$431,016 (\$380,218 in 2003), were recognized.

8. Claims Arising from Risks of Loss

Primary Government (the County)

The risks of loss arising from general liability, property, and crime, not associated with operation of the airport, are managed through a combination of purchased commercial insurance, through the Michigan Municipal Risk Management Authority, and the set aside of assets. Assets have been set aside for the coverage of up to a maximum of \$100,000 for each general liability claim, and \$1,000 for each property and crime claim (also, 10% of next \$100,000 of each property and crime claim). Purchased commercial insurance provides coverage in excess of these limits and for all other risks of loss. With regard to vehicle physical damage claims, the County is entirely self-insured due to the prohibitive cost of commercial insurance for such losses.

Risks of loss associated with operation of the airport (general, contractual, personal injury, and hangar-keepers' liabilities) are managed through the purchase of commercial insurance.

The Employee Benefit Fund provides coverage for up to a maximum of \$250,000 for each workers' compensation claim. The County purchases commercial insurance for claims in excess of this coverage up to a maximum of \$1,000,000 for each claim and \$10,000,000 for aggregate claims. Workers' compensation claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss may be reasonably estimated.

Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period are not significant, as the County prefers to liquidate such liabilities immediately.

For employees belonging to the Fraternal Order of Police or Sheriff's Command Staff, the County purchases commercial insurance for risks of loss arising from employee health and medical claims. For all other employees, the County manages its risk of loss arising from health and medical claims through a combination of purchased commercial insurance and a set aside of assets for claims settlements. For those claims (up to an annual maximum of \$100,000 per individual) financed from the set aside of assets, the County reports claim expenditures and liabilities when it is probable that a loss has occurred and the amount of loss may be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Health and medical claim liabilities are subject to the same estimation limitations and periodic reevaluation as workers' compensation claims.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. In addition, in the past three fiscal years, settlements did not exceed insurance coverage.

Changes in the balances of claim liabilities for 2004 and 2003, consist of the following:

	<i>Beginning of Year Liability</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Claim Payments</i>	<i>End of Year Liability</i>
General Fund -				
General liability and crime:				
2003	\$ 287,797	\$ 7,751	\$ (169,330)	\$ 126,218
2004	\$ 126,218	\$ 390,207	\$ (176,670)	\$ 339,755

The County considers property and vehicle damage claims arising from natural disasters, catastrophes, or other extraordinary events as subject to the provisions of the accounting standards governing risk management and, therefore, reportable. Expenditures incurred in connection with asset repairs or replacements not associated with such causes are considered outside the measurement and reporting standards.

Changes in the balances of health and welfare claim liabilities for 2004 and 2003, consists of the following:

	<i>Beginning of Year Liability</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Claim Payments</i>	<i>End of Year Liability</i>
Internal Service Funds:				
Workers' compensation:				
2003	\$ 657,012	\$ 407,900	\$ (453,137)	\$ 611,775
2004	\$ 611,775	\$ 633,538	\$ (315,452)	\$ 929,861
Employee health and medical:				
2003	\$ 669,498	\$ 2,169,634	\$ (2,366,662)	\$ 472,470
2004	\$ 472,470	\$ 3,537,896	\$ (3,285,420)	\$ 724,946

Kalamazoo County Road Commission (the Road Commission)

The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool (SIP) and the County Road Association Self-Insurance Fund (SIF); both are public entity risk pools operating as a common risk management program for road commissions in the state of Michigan. The Road Commission pays annual premiums to the SIP and SIF for general insurance coverage and workers' compensation claims, respectively. In the event of unusually high claims, both the SIP and SIF may assess member road commissions on a retroactive basis. The Road Commission purchases commercial insurance for risks of loss arising from employee health and accident claims.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

Kalamazoo Community Mental Health and Substance Abuse Services (the Authority)

The risks of loss arising from general liability, property, and crime are managed through participation in the Michigan Municipal Risk Management State Pool, a public entity risk pool currently operating as a common risk management program for government entities in the state of Michigan. The Authority pays annual premiums to the State pool for insurance coverage up to a maximum of \$10,000,000 for aggregate general liability claim, and \$5,205,000 for property and crime claims. In the event of unusually high claims, the State pool may assess member government units on a retroactive basis. The Authority purchases commercial insurance for risks of loss arising from employee health, medical, and workers' compensation claims.

9. Compliance

Expenditures Over Appropriations

P.A. 621 of 1978 Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on a functional basis. The County incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

<i>Year Ended December 31, 2004</i>	<i>Excess Expenditures</i>
General Fund:	\$
Legislative - Legal Services	11,181
Judicial:	
Circuit Court - Administration	238,842
Circuit Court - Trial division	1,767
Circuit Court - Family division	871
District Court	126,133
General Government:	
Resource development	40
Finance	6,206
Utilities	57,474
Public Safety:	
Sheriff	42,503
Pre-trial services	33,821
Animal Services and Enforcement	1,137
Emergency management	33,306
Health and Welfare:	
Medical examiner	58,968
Veteran's burial	8,344
Appropriations - Mental Health	19,140
Other - Insurance and surety bonds	211,248
Transfers Out:	
Parks and Recreation Fund	79,250
Child Care Probate Fund	373,864
Care A Van Fund	101,657
Public Safety Special Grants Fund	720

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Continued)

<i>Year Ended December 31, 2004</i>	<i>Excess Expenditures</i>
Special Revenue Funds:	\$
<i>Law Enforcement:</i>	
Judicial - Circuit Court - Trial Division	10,606
General Government - Prosecuting Attorney	10,842
Public Safety - Community Corrections	71
Parks and Recreation - Recreation and Culture	18,577
Health - Capital Outlay	49,823
Accommodation Tax - Recreation and Culture	14,480
Area Agency on Aging - Health and Welfare	113,637
<i>Child Care Probate:</i>	
Health and Welfare	442,319
Transfers Out - Judicial Special Grants Fund	1,832
Veterans' Trust - Transfers Out - General Fund	12,000
Community Healthy Start - Health and Welfare	651,243
<i>HIV/AIDS HOPWA:</i>	
Health and Welfare	8,127
Transfers Out - Health Fund	43,835
Community Corrections - Transfers Out - Welfare Special Grants	1,198
Workforce Investment Act - Health and Welfare	705,952
Head Start - Capital Outlay	44,647
<i>Health and Welfare Special Grants:</i>	
Capital Outlay	26,938
Transfer Out - Community Healthy Start	492
Transfer Out - Health Fund	11,184

In addition, the County did not adopt a budget for the Revenue Sharing Reserve Fund.

Investments of the Defined Benefit Pension Plan (Pension Trust Fund) (the Plan)

Effective October 16, 2000, a state of Michigan law was enacted limiting retirement plan's investment in common stocks to 70% of a plan's assets at market value. At December 31, 2004, the Plan's investment in common stocks was 70.1% of plan assets at market value, thereby exceeding the limit allowed by law.

On December 9, 2004, the Retirement Investment Committee met to review the asset holdings as of November 30, 2004. The Plan was in compliance at November 30, 2004, and market appreciation during December, 2004, caused the Plan to exceed 70% at December 31, 2004.

The Plan was brought into compliance during 2005.

Deficit Net Assets

The County has an accumulated deficit in the Employee Benefits Fund, an Internal Service Fund, of \$1,500,740. The County expects to eliminate this deficit in 2005 through its rate structure.

County of Kalamazoo, Michigan

Notes to Basic Financial Statements (Concluded)

10. Commitments and Contingencies

At December 31, 2004, the County had the following contractual construction commitments:

	<i>Project Authorization</i>	<i>Expended Through December 31, 2004</i>	<i>Committed</i>	<i>Required Future Financing</i>
Airport improvements	\$ 17,214,657	\$ 4,579,523	\$ 12,635,134	*
Markin Glen Park	2,096,675	1,992,774	103,901	**
Michigan Avenue	1,050,000	1,050,343	(343)	
Townline Drain	135,000	62,534	72,466	
Carter Bowers Drain	116,000	8,774	107,226	
Gilbert Drain	150,000	41,018	108,982	
	<u>\$ 20,762,332</u>	<u>\$ 7,734,966</u>	<u>\$ 13,027,366</u>	

* The majority of these projects are administered by the state of Michigan, funded by a combination of federal and state grants, and local monies, in the following ratio: 90%, 5%, and 5%, respectively.

** This project is funded by grants from the state of Michigan (36%) and the Parks Foundation (64%).

The County leases several facilities under non-cancelable agreements that have been classified as operating leases. Total cost for such leases were \$574,952 in 2004. The future minimum lease payments for these leases are as follows:

<i>Year Ending December 31,</i>	<i>Amount</i>
2004	\$ 582,498
2005	588,255
2006	598,645
	<u>\$ 1,769,398</u>

During 1988, the Environmental Protection Agency (EPA) identified a landfill, owned, and previously operated by the County, as a source of ground water contamination. The EPA filed a complaint in federal court during 1994. EPA also identified numerous potentially responsible parties, including the County.

In February, 1991, the Upjohn Company submitted a good faith offer to EPA to perform the remedial action on the landfill. In September, 1991, the Upjohn Company signed a Consent Decree, along with the City of Kalamazoo, the County of Kalamazoo, and the Charter Township of Oshtemo to perform the remedial action. These four parties then signed a side agreement detailing the responsibilities of each party. The total cost to the County has not yet been determined.

Combining and Individual Fund Statements and Schedules





General Fund

County of Kalamazoo, Michigan

General Fund

The General Fund is the principal operating fund of the County. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund. Revenues are derived primarily from property taxes, intergovernmental revenues, and charges for services.

County of Kalamazoo, Michigan

General Fund Schedule of Sources and Uses of Financial Resources

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
<i>Taxes:</i>				
Non-departmental - Property taxes	\$ 29,754,900	\$ 29,754,900	\$ 29,752,974	\$ (1,926)
Treasurer	68,000	68,000	45,594	(22,406)
<i>Total Taxes</i>	<i>29,822,900</i>	<i>29,822,900</i>	<i>29,798,568</i>	<i>(24,332)</i>
<i>Licenses and Permits:</i>				
County Clerk/Register of Deeds	29,500	33,000	32,845	(155)
Animal services and enforcement	320,000	330,000	317,449	(12,551)
Treasurer	6,000	6,000	10,331	4,331
Drain Commissioner	50,000	50,000	60,778	10,778
Medical Examiner	-	-	2,320	2,320
Recycling	500	500	-	(500)
<i>Total Licenses and Permits</i>	<i>406,000</i>	<i>419,500</i>	<i>423,723</i>	<i>4,223</i>
<i>Federal Grants:</i>				
Circuit Court - Family division	-	5,100	5,135	35
Friend of the Court	2,435,000	2,373,900	2,275,395	(98,505)
Sheriff	37,000	37,000	45,926	8,926
Emergency management	36,000	36,000	51,466	15,466
Prosecuting Attorney	65,000	65,000	57,441	(7,559)
<i>Total Federal Grants</i>	<i>2,573,000</i>	<i>2,517,000</i>	<i>2,435,363</i>	<i>(81,637)</i>
<i>State Grants:</i>				
State shared revenues	4,473,000	4,473,000	2,125,336	(2,347,664)
State Court Fund distribution	1,475,000	1,475,000	1,577,967	102,967
Convention and tourism	1,050,000	1,050,000	1,088,279	38,279
Cigarette tax	124,700	124,700	137,221	12,521
Elections	10,000	10,000	56,523	46,523
Friend of the Court	23,000	23,000	133,555	110,555
Circuit Court - Trial division	183,900	183,900	184,605	705
Circuit Court - Family division	384,000	384,600	340,803	(43,797)
District Court	365,000	365,000	381,104	16,104
Probate Court	139,900	139,900	147,524	7,624
Sheriff	28,000	28,000	34,984	6,984
County Clerk/Register of Deeds	3,500	3,500	3,600	100
<i>Total State Grants</i>	<i>8,260,000</i>	<i>8,260,600</i>	<i>6,211,501</i>	<i>(2,049,099)</i>

County of Kalamazoo, Michigan

General Fund Schedule of Sources and Uses of Financial Resources (Continued)

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues (Continued):				
<i>Local Unit Contributions:</i>				
Sheriff	\$ 953,800	\$ 953,800	\$ 992,610	\$ 38,810
Animal services and enforcement	-	9,000	6,000	(3,000)
<i>Total Local Unit Contributions</i>	<i>953,800</i>	<i>962,800</i>	<i>998,610</i>	<i>35,810</i>
<i>Charges for Services:</i>				
Drug Court	6,000	6,000	18,556	12,556
Circuit Court - Trial division	690,800	744,300	674,263	(70,037)
Circuit Court - Family division	150,600	150,600	149,200	(1,400)
District Court	1,864,200	1,864,200	1,935,247	71,047
Friend of the Court	145,000	145,000	139,704	(5,296)
Probate Court	59,200	59,200	62,409	3,209
County Clerk/Register of Deeds	2,138,700	2,747,300	2,732,072	(15,228)
Prosecuting Attorney	24,000	24,000	34,729	10,729
Treasurer	83,500	83,500	102,334	18,834
Drain Commissioner	43,000	43,000	6,667	(36,333)
Sheriff	802,600	802,600	1,305,737	503,137
Animal services and enforcement	35,700	35,700	38,226	2,526
Planning	300	300	262	(38)
Resource development	500	500	850	350
<i>Total Charges for Services</i>	<i>6,044,100</i>	<i>6,706,200</i>	<i>7,200,256</i>	<i>494,056</i>
<i>Fines and Forfeitures:</i>				
Circuit Court - Trial division	20,000	20,000	57,555	37,555
District Court	2,345,000	2,345,000	2,548,127	203,127
Prosecuting Attorney	55,000	55,000	53,268	(1,732)
<i>Total Fines and Forfeitures</i>	<i>2,420,000</i>	<i>2,420,000</i>	<i>2,658,950</i>	<i>238,950</i>
<i>Interest - Treasurer</i>	<i>701,500</i>	<i>701,500</i>	<i>494,004</i>	<i>(207,496)</i>

County of Kalamazoo, Michigan

General Fund Schedule of Sources and Uses of Financial Resources (Continued)

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues (Concluded):				
<i>Other:</i>				
Legal services	\$ -	\$ -	\$ 1,435	\$ 1,435
Non-departmental revenue	-	-	5,546	5,546
Drug Court	500	500	-	(500)
Circuit Court - Trial division	500	500	502	2
Circuit Court - Family division	1,000	1,000	835	(165)
District Court	30,000	30,000	43,119	13,119
Friend of the Court	200	200	1,197	997
Probate Court	2,000	2,000	3,103	1,103
Family counseling services	29,000	29,000	26,865	(2,135)
County Clerk/Register of Deeds	5,000	7,000	7,988	988
Resource development	10,000	10,000	7,742	(2,258)
Finance	50,000	50,000	44,537	(5,463)
Indirect costs	759,700	759,700	921,832	162,132
Prosecuting Attorney	3,000	3,000	1,300	(1,700)
Treasurer	6,000	6,000	530	(5,470)
Drain Commissioner	11,000	11,000	1,311	(9,689)
Sheriff	729,600	729,600	722,148	(7,452)
Animal services and enforcement	15,700	15,700	25,795	10,095
Emergency management	-	-	1,000	1,000
Medical Examiner	-	-	7,325	7,325
Veteran's affairs	5,000	9,900	7,874	(2,026)
Other	100	22,300	23,239	939
<i>Total Other</i>	<i>1,658,300</i>	<i>1,687,400</i>	<i>1,855,223</i>	<i>167,823</i>
Total Revenues	52,839,600	53,497,900	52,076,198	(1,421,702)

County of Kalamazoo, Michigan

General Fund Schedule of Sources and Uses of Financial Resources (Continued)

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures:				
<i>Legislative:</i>				
Board of Commissioners	\$ 338,000	\$ 341,700	\$ 328,161	\$ 13,539
County administration	492,100	523,200	518,646	4,554
Legal services	105,200	108,900	120,081	(11,181)
<i>Total Legislative</i>	<i>935,300</i>	<i>973,800</i>	<i>966,888</i>	<i>6,912</i>
<i>Judicial:</i>				
Drug Court	149,400	130,400	119,488	10,912
Circuit Court - Administration	5,063,100	5,215,600	5,454,442	(238,842)
Circuit Court - Trial division	370,100	364,100	365,867	(1,767)
Circuit Court - Family division	666,700	688,500	689,371	(871)
District Court	4,873,400	4,818,100	4,944,233	(126,133)
Jury board	13,600	2,600	1,400	1,200
Probate Court	809,500	944,600	913,921	30,679
<i>Total Judicial</i>	<i>11,945,800</i>	<i>12,163,900</i>	<i>12,488,722</i>	<i>(324,822)</i>
<i>General Government:</i>				
Elections	278,700	277,500	263,136	14,364
County Clerk/Register of Deeds	596,400	594,000	578,946	15,054
Resource development	102,200	104,300	104,340	(40)
Finance	780,800	790,100	796,306	(6,206)
Equalization	445,300	419,900	414,524	5,376
Human resources	661,600	679,800	598,363	81,437
Prosecuting Attorney	2,389,500	2,458,400	2,405,807	52,593
Purchasing	101,700	102,100	101,242	858
Treasurer	562,700	555,800	544,821	10,979
Building and grounds	2,308,800	2,293,400	2,160,072	133,328
Utilities	689,000	689,000	746,474	(57,474)
Security	45,300	37,700	37,202	498
Drain Commissioner	206,400	222,000	174,413	47,587
Planning/community development	87,100	126,200	124,460	1,740
Recycling	68,100	72,300	71,086	1,214
Appropriation to SW Michigan First	385,000	385,000	385,000	-
<i>Total General Government</i>	<i>9,708,600</i>	<i>9,807,500</i>	<i>9,506,192</i>	<i>301,308</i>

County of Kalamazoo, Michigan

General Fund Schedule of Sources and Uses of Financial Resources (Continued)

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
<i>Public Safety:</i>				
Sheriff	\$ 11,219,300	\$ 11,702,100	\$ 11,744,603	\$ (42,503)
Pre-trial services	163,700	167,200	201,021	(33,821)
Animal services and enforcement	414,800	401,400	402,537	(1,137)
Emergency management	146,500	177,400	210,706	(33,306)
Adult probation	276,700	276,700	244,397	32,303
<i>Total Public Safety</i>	<i>12,221,000</i>	<i>12,724,800</i>	<i>12,803,264</i>	<i>(78,464)</i>
<i>Health and Welfare:</i>				
Human services administration	959,900	989,300	984,743	4,557
Veteran's affairs	99,900	111,700	105,504	6,196
Medical examiner	353,200	354,500	413,468	(58,968)
Veteran's burial	40,400	40,400	48,744	(8,344)
Soldier and sailor relief	9,800	9,800	9,713	87
<i>Appropriations to:</i>				
Kalamazoo Community Mental Health and Substance Abuse Services	2,075,400	2,075,400	2,094,540	(19,140)
Michigan Department of Human Services	17,000	17,000	17,000	-
Child Care Welfare	612,100	612,100	612,100	-
<i>Total Health and Welfare</i>	<i>4,167,700</i>	<i>4,210,200</i>	<i>4,285,812</i>	<i>(75,612)</i>
<i>Recreation and Culture - MSU extension</i>	<i>288,800</i>	<i>282,000</i>	<i>262,685</i>	<i>19,315</i>
<i>Other:</i>				
Contingencies	208,600	573,800	-	573,800
Landfill	25,000	25,000	-	25,000
Retiree health insurance	1,852,500	1,852,500	1,772,316	80,184
DD/MI/other personnel costs	305,800	167,600	304	167,296
Insurance and surety bonds	900,000	900,000	1,111,248	(211,248)
Strategic issues	25,000	78,700	44,313	34,387
<i>Total Other</i>	<i>3,316,900</i>	<i>3,597,600</i>	<i>2,928,181</i>	<i>669,419</i>
<i>Capital Outlay</i>	<i>800,900</i>	<i>1,805,600</i>	<i>856,266</i>	<i>949,334</i>
Total Expenditures	43,385,000	45,565,400	44,098,010	1,467,390
Excess of Revenues Over Expenditures	9,454,600	7,932,500	7,978,188	(45,688)

County of Kalamazoo, Michigan

General Fund Schedule of Sources and Uses of Financial Resources (Concluded)

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Other Financing Sources (Uses):				
<i>Transfers In:</i>				
Budget Stabilization	\$ 650,000	\$ 650,000	\$ -	\$ (650,000)
Revenue Sharing Reserve Fund	-	-	2,297,918	2,297,918
Accommodation Tax Fund	25,200	25,200	25,186	(14)
Veterans' Trust Fund	12,000	12,000	12,000	-
Transfer from Proprietary Fund - Internal Delinquent Tax Revolving Fund	900,000	900,000	900,000	-
<i>Total Transfers In</i>	<i>1,587,200</i>	<i>1,587,200</i>	<i>3,235,104</i>	<i>1,647,904</i>
<i>Transfers Out:</i>				
Parks and Recreation Fund	(474,000)	(432,500)	(511,750)	(79,250)
Friend of the Court Fund	(2,942,400)	(2,858,600)	(2,801,063)	57,537
Health Fund	(2,374,800)	(2,272,400)	(2,020,468)	251,932
Law Library Fund	(80,000)	(80,000)	(77,060)	2,940
Area Agency on Aging Fund	(53,900)	(53,900)	(53,900)	-
Child Care Probate Fund	(3,868,900)	(3,806,500)	(4,180,364)	(373,864)
Community Healthy Start Fund	(29,900)	(29,900)	(29,900)	-
Care A Van Fund	(142,200)	(142,200)	(243,857)	(101,657)
Judicial Special Grants Fund	(193,000)	(193,000)	(177,101)	15,899
Public Safety Special Grants Fund	(26,500)	(26,500)	(27,220)	(720)
Health and Welfare Special Grants Fund	(110,000)	(110,000)	(60,575)	49,425
Information Systems Fund	(994,200)	(866,400)	(729,130)	137,270
<i>Total Transfers Out</i>	<i>(11,289,800)</i>	<i>(10,871,900)</i>	<i>(10,912,388)</i>	<i>(40,488)</i>
Total Other Financing Uses	(9,702,600)	(9,284,700)	(7,677,284)	1,607,416
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)				
	\$ (248,000)	\$ (1,352,200)	\$ 300,904	\$ 1,653,104

Nonmajor Governmental Funds



County of Kalamazoo, Michigan

Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Budget Stabilization Fund - This fund was established to account for funds set aside under the provisions of Public Act 30 of 1978, with the intention of assuring solid financial condition of the County in case of an emergency.

Parks and Recreation Fund - This fund was established to account for the maintenance and operation of the County owned parks and fairgrounds. Funding is provided from charges for services and inter-fund transfers.

Friend of the Court Fund - This fund was established to account for the operations of the Friend of the Court, including costs incurred in the collection and subsequent disbursement of child support payments. Funding is provided through federal and state grants and charges for services. Most of the Friend of the Court revenues are deposited in the General Fund and later transferred to the Friend of the Court Fund as needed.

Health Fund - This fund was established to account for the costs of providing health protection and health services. Funding is provided through licenses and permits, federal and state grants, charges for services, and inter-fund transfers.

Accommodation Tax Fund - This fund was established to account for the collection of a 4% excise tax, which is imposed on all individuals engaged in the business of providing rooms for transient guests within the County. This tax provides funding for the Kalamazoo Convention and Visitors Bureau. The County Board resolutions allocate the use of these revenues to promote tourism and convention business.

Law Library Fund - This fund was established to account for funds provided for the maintenance of a law library. Funding is provided from penal fees and inter-fund transfers.

Area Agency on Aging Fund - This fund was established to account for operation and administration of service programs to senior citizens. Funding is provided through federal and state grants.

Substance Abuse, Alcoholism, and Drugs Fund - This fund was established to account for operation and administration of treatment and prevention programs. Funding is provided through federal and state grants and charges for services.

Child Care Probate Fund - This fund was established to account for the County court-administered health and welfare of minor children. Funding is provided through federal and state grants and inter-fund transfers.

Veterans' Trust Fund - This fund was established to account for financial assistance provided to qualified veterans. Funding is provided through state grants.

County of Kalamazoo, Michigan

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Concluded)

Community Healthy Start Fund - This fund was established to account for operations aimed at reducing infant mortality. Funding is provided through federal grants and local grants and inter-fund transfers.

HIV/AIDS HOPWA Fund - This fund was established to account for providing financial assistance to individuals and their families infected or affected with AIDS during difficult financial times. Individuals (families) receive appropriate financial subsidies for housing needs to move the person (family) from an emergency housing situation to a more stable housing plan and to prevent the person (family) from becoming homeless.

Community Corrections Fund - This fund was established to account for alternatives such as tethers, bail screening, and additional probation to alleviate jail-overcrowding problems. Funding is provided through state grants and charges for services.

Workforce Investment Act (W.I.A.) Fund - This fund was established to account for training and employment programs within Kalamazoo and St. Joseph Counties under the Jobs Training Partnership Act. Funding is provided through federal and state grants.

County Incentive Transportation Fund - This fund was established to account for transportation programs serving individuals with special needs, whether physical or financial. Funding is provided through federal and state grants and charges for services.

Head Start Fund - This fund was established to account for preschool readiness programs offered to eligible children. Funding is provided through federal grants.

Judicial Special Grants Fund - This fund was established to account for various judicial function activities that are financed by federal and/or state grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Public Safety Special Grants Fund - This fund was established to account for various public safety function activities that are financed by federal and/or state grants or local grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Public Works Special Grants Fund - This fund was established to account for various public works function activities that are financed by federal and/or state grants or local grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Health and Welfare Special Grants Fund - This fund was established to account for various health and welfare function activities that are financed by federal and/or state grants or local grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Other Special Grants Fund - This fund was established to account for various other function activities that are financed by local grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

Capital Outlay Special Grants Fund - This fund was established to account for various capital outlay function activities that are financed by federal and/or state grants restricted for such activities. None are considered individually significant to require presentation in a separate fund.

County of Kalamazoo, Michigan

Nonmajor Governmental Funds (Continued)

Debt Service Funds

The Debt Service Funds are used to account for the collection of resources and the payment of general long-term debt.

1982 Water Supply System No. 1 Bonds Fund - This fund was established to account for collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is a special assessment debt secured by a commitment from the Village of Climax, issued in connection with a water supply system project.

1991 Water Supply and Sewage Disposal System Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is a special assessment debt secured by a commitment from the Charter Township of Oshtemo, issued in connection with a water and sanitary sewage system project.

1991 Texas Township Sanitary Sewage Disposal System Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is refunded by the 2004 Texas Township Sewage Disposal System Refunding Bonds.

1993 Comstock Township Sewage Disposal System No. 7 Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is refunded by the 2004 Texas Township Sewage Disposal System Refunding Bonds.

1993 Texas Township Sewage Disposal System Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is a special assessment debt secured by a commitment from the Charter Township of Texas, issued in connection with a sanitary sewage system project.

1996 Sewage Disposal System No. 7 Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is a special assessment debt secured by a commitment from the Charter Township of Comstock, issued in connection with a sanitary sewage system project.

1998 Indian Lake/Pickerel Lake Sewage Disposal System Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is a special assessment debt secured by a commitment from the Townships of Brady and Pavilion, issued in connection with a sanitary sewage system project.

2001 Cooper Township Sanitary Sewage Disposal System Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited tax obligation debt service (principal and interest). This debt is a special assessment debt secured by a commitment from the Township of Cooper, issued in connection with a sanitary sewage system project.

County of Kalamazoo, Michigan

Nonmajor Governmental Funds (Concluded)

Debt Service Funds (Concluded)

2004 Carter Bowers Intercounty Drain Note Payable Fund - This fund was established to account for the local unit contributions and the payment of the note payable debt service (principal and interest). This debt is a special assessment debt secured by the Drainage District.

2004 Texas Township Sewage Disposal System Refunding Bonds Fund - This fund was established to account for the collection of local unit contributions and the payment of limited obligation debt service (principal and interest). This debt refunded the 1991 and 1993 Texas Township Sewage Disposal Bonds. The refunded debt is a special assessment debt secured by a commitment from the Charter Township of Texas, issued in connection with a sanitary sewage system project.

Capital Projects Funds

The Capital Projects Funds are used to account for the accumulation of resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Fund and Trust Funds).

General County Public Improvement Fund - This fund was established to account for renovation/small construction projects performed on the County facilities. These projects are funded primarily by General Fund appropriations.

Drains Fund - This fund was established to account for drain project costs prior to actual special assessments being levied. Monies for this purpose are advanced from the General Fund and later replenished as special assessments are levied upon benefited properties.

Townline Drain Construction Fund - This fund was established to account for the receipt and use of notes proceeds in connection with a drain system project for the Townline Drain District in Kalamazoo County.

Carter Bowers Intercounty Drain Fund - This fund was established to account for the receipt and use of notes proceeds in connection with a drain system project for the Carter Bowers Intercounty Drain District in Kalamazoo, Branch, Calhoun, and St. Joseph Counties.

Gilbert Drain Construction Fund - This fund was established to account for the receipt and use of notes proceeds in connection with a drain system project for the Gilbert Drain District in Kalamazoo County.

Oshtemo Township Water Supply System Construction Fund - This fund was established to account for the receipt and use of bond proceeds in connection with a water supply system project within the Charter Township of Oshtemo.

County of Kalamazoo, Michigan

Nonmajor Governmental Funds Combining Balance Sheet

<i>December 31, 2004</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Total Other Governmental</i>
Assets:				
Cash	\$ 3,237,377	\$ 939	\$ 4,272,387	\$ 7,510,703
Receivables:				
Accounts	549,225	-	-	549,225
Unlevied assessments	-	-	228,404	228,404
Due from other governmental units	4,821,559	-	-	4,821,559
Prepaid expenditures	72,920	-	-	72,920
Total Assets	\$ 8,681,081	\$ 939	\$ 4,500,791	\$ 13,182,811
Liabilities and Fund Balance				
Liabilities:				
Checks issued against future deposits	\$ 1,228,813	\$ -	\$ -	\$ 1,228,813
Accounts payable	1,418,708	939	1,281	1,420,928
Due to governmental units	560,501	-	-	560,501
Accrued liabilities	311,254	-	-	311,254
Advances from other funds	-	-	300,000	300,000
Deferred revenue	1,111,964	-	-	1,111,964
Total Liabilities	4,631,240	939	301,281	4,933,460
Fund Balance:				
Reserved for encumbrances	442,296	-	29,516	471,812
Reserved - Prepaid expenditures	23,156	-	-	23,156
Unreserved - Undesignated	3,584,389	-	4,169,994	7,754,383
Fund Balance	4,049,841	-	4,199,510	8,249,351
Total Liabilities and Fund Balance	\$ 8,681,081	\$ 939	\$ 4,500,791	\$ 13,182,811

County of Kalamazoo, Michigan

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Year Ended December 31, 2004</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Total Other Governmental</i>
Revenues:				
Taxes	\$ 1,679,091	\$ -	\$ -	\$ 1,679,091
Licenses and permits	438,735	-	-	438,735
Federal grants	18,397,539	-	-	18,397,539
State grants	9,925,778	-	-	9,925,778
Local unit contributions	908,460	2,221,402	-	3,129,862
Charges for services	3,464,204	-	-	3,464,204
Interest and rents	11,780	4,307	46,072	62,159
Other	213,696	-	31,865	245,561
Total Revenues	35,039,283	2,225,709	77,937	37,342,929
Expenditures:				
Current:				
Judicial	4,573,670	-	-	4,573,670
Public safety	2,975,165	-	-	2,975,165
Public works	101,632	-	2,093,540	2,195,172
Health and welfare	32,832,161	-	-	32,832,161
Recreation and culture	2,714,257	-	-	2,714,257
Other	4,217	-	-	4,217
Debt service:				
Principal	-	1,647,000	-	1,647,000
Interest and other charges	-	686,452	-	686,452
Capital outlay	1,841,965	-	-	1,841,965
Total Expenditures	45,043,067	2,333,452	2,093,540	49,470,059
Deficiency of Revenues Over Expenditures	(10,003,784)	(107,743)	(2,015,603)	(12,127,130)
Other Financing Sources (Uses):				
Transfers in	10,559,600	22,286	-	10,581,886
Transfers out	(156,182)	-	(22,286)	(178,468)
Issuance of note	-	-	2,151,000	2,151,000
Issuance of refunding bond	-	2,910,000	-	2,910,000
Premium on refunding bond	-	65,401	-	65,401
Payment to escrow agent	-	(2,889,944)	-	(2,889,944)
Total Other Financing Sources	10,403,418	107,743	2,128,714	12,639,875
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)	399,634	-	113,111	512,745
Fund Balance, beginning of year	3,650,207	-	4,086,399	7,736,606
Fund Balance, end of year	\$ 4,049,841	\$ -	\$ 4,199,510	\$ 8,249,351



	<i>Special Revenue</i>			
<i>December 31, 2004</i>	<i>Budget Stabilization</i>	<i>Parks and Recreation</i>	<i>Friend of the Court</i>	<i>Health</i>
Assets:				
Cash	\$ 1,750,000	\$ 1,835	\$ 53,107	\$ -
Accounts receivable	-	35,627	-	133,844
Due from other governmental units	-	-	-	139,834
Prepaid expenditures	-	1,166	180	15,675
Total Assets	\$ 1,750,000	\$ 38,628	\$ 53,287	\$ 289,353
Liabilities:				
Checks issued against future deposits	\$ -	\$ -	\$ -	\$ 58,961
Accounts payable	-	9,026	21,317	131,293
Due to governmental units	-	-	-	-
Accrued liabilities	-	29,602	31,970	60,642
Deferred revenues	-	-	-	36,957
Total Liabilities	-	38,628	53,287	287,853
Fund Balance:				
Reserved:				
Encumbrances	-	-	-	1,500
Prepaid expenditures	-	-	-	-
Unreserved - Undesignated	1,750,000	-	-	-
Total Fund Balance	1,750,000	-	-	1,500
Total Liabilities and Fund Balance	\$ 1,750,000	\$ 38,628	\$ 53,287	\$ 289,353

County of Kalamazoo, Michigan

Nonmajor Special Revenue Funds Combining Balance Sheet

<i>Special Revenue</i>							
<i>Accom- modation Tax</i>	<i>Law Library</i>	<i>Area Agency on Aging</i>	<i>Substance Abuse, Alcoholism, and Drugs</i>	<i>Child Care Probate</i>	<i>Veterans' Trust</i>	<i>Community Healthy Start</i>	<i>HIV/AIDS HOPWA</i>
\$ 352,076	\$ -	\$ -	\$ -	\$ -	\$ 604	\$ -	\$ 80,648
-	-	8,364	-	-	-	-	-
-	-	407,002	61,545	931,964	-	180,168	8,477
-	-	55,000	-	-	-	-	-
\$ 352,076	\$ -	\$ 470,366	\$ 61,545	\$ 931,964	\$ 604	\$ 180,168	\$ 89,125
\$ -	\$ -	\$ 299,051	\$ 58,122	\$ 178,736	\$ -	\$ 19,665	\$ -
7,156	-	136,785	-	305,396	-	51,774	49,173
-	-	406	3,423	389,837	-	618	39,952
-	-	3,267	-	57,995	-	2,522	-
-	-	8,376	-	-	604	104,798	-
7,156	-	447,885	61,545	931,964	604	179,377	89,125
19,340	-	-	-	-	-	-	-
-	-	22,481	-	-	-	-	-
325,580	-	-	-	-	-	791	-
344,920	-	22,481	-	-	-	791	-
\$ 352,076	\$ -	\$ 470,366	\$ 61,545	\$ 931,964	\$ 604	\$ 180,168	\$ 89,125



	<i>Special Revenue</i>				
<i>December 31, 2004</i>	<i>Community Corrections</i>	<i>W.I.A.</i>	<i>County Incentive Transportation</i>	<i>Head Start</i>	<i>Judicial Special Grants</i>
Assets:					
Cash	\$ 306,755	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	90,096	-	575
Due from other governmental units	153,371	-	197,008	696,856	433,284
Prepaid expenditures	-	-	-	224	-
Total Assets	\$ 460,126	\$ -	\$ 287,104	\$ 697,080	\$ 433,859
Liabilities:					
Checks issued against future deposits	\$ -	\$ -	\$ 94,122	\$ 166,075	\$ 314,741
Accounts payable	99,511	-	81,278	53,347	76,419
Due to governmental units	5,338	-	75,034	-	1,812
Accrued liabilities	4,450	-	2,440	56,579	15,370
Deferred revenues	25,307	-	34,230	419,778	25,517
Total Liabilities	134,606	-	287,104	695,779	433,859
Fund Balance:					
Reserved:					
Encumbrances	-	-	-	1,301	-
Prepaid expenditures	-	-	-	-	-
Unreserved - Undesignated	325,520	-	-	-	-
Total Fund Balance	325,520	-	-	1,301	-
Total Liabilities and Fund Balance	\$ 460,126	\$ -	\$ 287,104	\$ 697,080	\$ 433,859

County of Kalamazoo, Michigan

Nonmajor Special Revenue Funds Combining Balance Sheet (Concluded)

<i>Special Revenue</i>					
<i>Public Safety Special Grants</i>	<i>Public Works Special Grants</i>	<i>Health and Welfare Special Grants</i>	<i>Other Special Grants</i>	<i>Capital Outlay Special Grants</i>	<i>Total Special Revenue</i>
\$ 107,035	\$ -	\$ 412,990	\$ 18,340	\$ 153,987	\$ 3,237,377
-	-	163,826	-	116,893	549,225
767,293	50,793	491,480	-	302,484	4,821,559
-	-	675	-	-	72,920
\$ 874,328	\$ 50,793	\$ 1,068,971	\$ 18,340	\$ 573,364	\$ 8,681,081
\$ -	\$ 39,340	\$ -	\$ -	\$ -	\$ 1,228,813
151,150	9,455	185,843	-	49,785	1,418,708
12,028	363	31,467	-	223	560,501
7,772	-	38,645	-	-	311,254
245,842	-	210,219	-	336	1,111,964
416,792	49,158	466,174	-	50,344	4,631,240
376,170	1,635	1,391	-	40,959	442,296
-	-	675	-	-	23,156
81,366	-	600,731	18,340	482,061	3,584,389
457,536	1,635	602,797	18,340	523,020	4,049,841
\$ 874,328	\$ 50,793	\$ 1,068,971	\$ 18,340	\$ 573,364	\$ 8,681,081

Special Revenue

<i>Year Ended December 31, 2004</i>	<i>Budget Stabilization</i>	<i>Parks and Recreation</i>	<i>Friend of the Court</i>	<i>Health</i>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	438,735
Federal grants	-	-	-	280,981
State grants	-	-	6,701	1,278,125
Local unit contributions	-	-	-	177,962
Charges for services	-	505,499	24,080	1,432,838
Interest	-	-	-	-
Other	-	45,073	(595)	4,195
Total Revenues	-	550,572	30,186	3,612,836
Expenditures:				
Current:				
Judicial	-	-	2,851,249	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	5,575,800
Recreation and culture	-	1,122,777	-	-
Other expenditures	-	-	-	-
Capital outlay	-	-	-	112,523
Total Expenditures	-	1,122,777	2,851,249	5,688,323
Excess (Deficiency) of Revenues Over Expenditures	-	(572,205)	(2,821,063)	(2,075,487)
Other Financing Sources (Uses):				
Transfers in	-	572,205	2,821,063	2,075,487
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	572,205	2,821,063	2,075,487
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	-	-	-	-
Fund Balance, beginning of year	1,750,000	-	-	1,500
Fund Balance, end of year	\$ 1,750,000	\$ -	\$ -	\$ 1,500

County of Kalamazoo, Michigan

Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Special Revenue</i>						
<i>Accom- modation Tax</i>	<i>Law Library</i>	<i>Area Agency on Aging</i>	<i>Child Care Probate</i>	<i>Veterans' Trust</i>	<i>Community Healthy Start</i>	<i>HIV/AIDS HOPWA</i>
\$ 1,679,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	869,973	68,983	-	577,165	216,735
-	-	639,357	2,959,108	24,447	-	-
-	-	9,000	96,323	-	40,379	-
-	-	35,368	48,108	-	3,145	-
-	-	-	-	-	-	-
-	6,500	49,780	6,065	-	162	-
1,679,091	6,500	1,603,478	3,178,587	24,447	620,851	216,735
-	83,560	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,657,378	7,522,919	12,447	651,243	216,271
1,591,480	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,591,480	83,560	1,657,378	7,522,919	12,447	651,243	216,271
87,611	(77,060)	(53,900)	(4,344,332)	12,000	(30,392)	464
-	77,060	53,900	4,346,164	-	30,392	-
(85,641)	-	-	(1,832)	(12,000)	-	(43,835)
(85,641)	77,060	53,900	4,344,332	(12,000)	30,392	(43,835)
1,970	-	-	-	-	-	(43,371)
342,950	-	22,481	-	-	791	43,371
\$ 344,920	\$ -	\$ 22,481	\$ -	\$ -	\$ 791	\$ -



<i>Year Ended December 31, 2004</i>	<i>Special Revenue</i>				
	<i>Community Corrections</i>	<i>W.I.A.</i>	<i>County Incentive Transportation</i>	<i>Head Start</i>	<i>Judicial Special Grants</i>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Federal grants	-	6,223,098	145,100	4,855,966	1,228,806
State grants	1,605,022	332,854	556,695	211,200	187,817
Local unit contributions	-	-	50	-	8,915
Charges for services	129,963	-	352,528	9,610	34,390
Interest	-	-	-	-	-
Other	-	-	2,810	19,837	-
Total Revenues	1,734,985	6,555,952	1,057,183	5,096,613	1,459,928
Expenditures:					
Current:					
Judicial	-	-	-	-	1,638,861
Public safety	1,675,230	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	6,555,952	1,301,040	4,916,966	-
Recreation and culture	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	179,647	-
Total Expenditures	1,675,230	6,555,952	1,301,040	5,096,613	1,638,861
Excess (Deficiency) of Revenues Over Expenditures	59,755	-	(243,857)	-	(178,933)
Other Financing Sources (Uses):					
Transfers in	-	-	243,857	-	178,933
Transfers out	(1,198)	-	-	-	-
Total Other Financing Sources (Uses)	(1,198)	-	243,857	-	178,933
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	58,557	-	-	-	-
Fund Balance, beginning of year	266,963	-	-	1,301	-
Fund Balance, end of year	\$ 325,520	\$ -	\$ -	\$ 1,301	\$ -

County of Kalamazoo, Michigan

Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Concluded)

<i>Special Revenue</i>					
<i>Public Safety Special Grants</i>	<i>Public Works Special Grants</i>	<i>Health and Welfare Special Grants</i>	<i>Other Special Grants</i>	<i>Capital Outlay Special Grants</i>	<i>Total Special Revenue</i>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,679,091
-	-	-	-	-	438,735
1,012,266	-	2,894,928	-	23,538	18,397,539
627,306	101,632	985,778	-	409,736	9,925,778
4,517	-	34,064	-	537,250	908,460
-	-	574,720	-	313,955	3,464,204
3,867	-	-	-	7,913	11,780
31,308	-	45,917	-	2,644	213,696
1,679,264	101,632	4,535,407	-	1,295,036	35,039,283
-	-	-	-	-	4,573,670
1,299,935	-	-	-	-	2,975,165
-	101,632	-	-	-	101,632
-	-	4,422,145	-	-	32,832,161
-	-	-	-	-	2,714,257
-	-	-	4,217	-	4,217
365,915	-	78,512	-	1,105,368	1,841,965
1,665,850	101,632	4,500,657	4,217	1,105,368	45,043,067
13,414	-	34,750	(4,217)	189,668	(10,003,784)
98,766	-	61,773	-	-	10,559,600
-	-	(11,676)	-	-	(156,182)
98,766	-	50,097	-	-	10,403,418
112,180	-	84,847	(4,217)	189,668	399,634
345,356	1,635	517,950	22,557	333,352	3,650,207
\$ 457,536	\$ 1,635	\$ 602,797	\$ 18,340	\$ 523,020	\$ 4,049,841

County of Kalamazoo, Michigan

Nonmajor Debt Service Funds Combining Balance Sheet

	<i>Debt Service</i>			<i>Total Debt Service</i>
	<i>1991 Texas Township Sanitary Sewage Disposal System Bonds</i>	<i>1993 Comstock Sewage Disposal System No. 7 Bonds</i>	<i>1993 Texas Township Disposal System Bonds</i>	
<i>December 31, 2004</i>				
Assets -				
Cash	\$ 263	\$ 263	\$ 413	<u>\$ 939</u>
Liabilities -				
Accounts payable	\$ 263	\$ 263	\$ 413	<u>\$ 939</u>



	<i>Debt Service</i>				
		<i>1991</i>	<i>1991</i>	<i>1993</i>	<i>1993</i>
	<i>1982</i>	<i>Water</i>	<i>Texas</i>	<i>Comstock</i>	<i>Texas</i>
	<i>Water</i>	<i>Supply</i>	<i>Township</i>	<i>Sewage</i>	<i>Township</i>
	<i>Supply</i>	<i>and</i>	<i>Sanitary</i>	<i>Disposal</i>	<i>Sewage</i>
	<i>System</i>	<i>Disposal</i>	<i>Disposal</i>	<i>System</i>	<i>Disposal</i>
	<i>No. 1</i>	<i>System</i>	<i>System</i>	<i>No. 7</i>	<i>System</i>
<i>Year Ended December 31, 2004</i>	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>
Revenues:					
Local unit contributions	\$ 37,875	\$ 652,275	\$ 127,244	\$ 224,275	\$ 253,650
Interest and Rents	-	-	-	-	-
Total Revenues	37,875	652,275	127,244	224,275	253,650
Expenditures:					
Principal retirement	25,000	625,000	100,000	150,000	200,000
Interest and fiscal charges	12,875	27,275	27,244	74,275	53,650
Total Expenditures	37,875	652,275	127,244	224,275	253,650
Excess of Revenues Over Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Issuance of refunding bond	-	-	-	-	-
Premium on refunding bond	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-	-
Fund Balance, beginning of year	-	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Debt Service</i>					
	<i>1998</i>	<i>2001</i>		<i>2004</i>	
<i>1996</i>	<i>Indian</i>	<i>Cooper</i>	<i>2004</i>	<i>Texas</i>	
<i>Sewage</i>	<i>Lake/</i>	<i>Township</i>	<i>Carter</i>	<i>Township</i>	
<i>Disposal</i>	<i>Pickrel</i>	<i>Sanitary</i>	<i>Bowers</i>	<i>Sewage</i>	
<i>System</i>	<i>Lake/</i>	<i>Sewage</i>	<i>Intercounty</i>	<i>Disposal</i>	
<i>No. 7</i>	<i>Sewage</i>	<i>Disposal</i>	<i>Drain</i>	<i>System</i>	
<i>Bonds</i>	<i>Disposal</i>	<i>System</i>	<i>Note</i>	<i>Refunding</i>	<i>Total</i>
	<i>Bonds</i>	<i>Bonds</i>	<i>Payable</i>	<i>Bonds</i>	<i>Debt</i>
					<i>Service</i>
\$ 169,175	\$ 535,550	\$ 210,975	\$ -	\$ 10,383	\$ 2,221,402
-	-	-	-	4,307	4,307
169,175	535,550	210,975	-	14,690	2,225,709
100,000	325,000	100,000	22,000	-	1,647,000
69,175	210,550	110,975	286	100,147	686,452
169,175	535,550	210,975	22,286	100,147	2,333,452
-	-	-	(22,286)	(85,457)	(107,743)
-	-	-	22,286	-	22,286
-	-	-	-	2,910,000	2,910,000
-	-	-	-	65,401	65,401
-	-	-	-	(2,889,944)	(2,889,944)
-	-	-	22,286	85,457	107,743
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<i>Capital Projects</i>			
<i>December 31, 2004</i>	<i>General County Public Improvement</i>	<i>Drains</i>	<i>Townline Drain Construction</i>	<i>Carter Bowers Intercounty Drain</i>
Assets:				
Cash	\$ 4,037,315	\$ 71,596	\$ 53,144	\$ 12,848
Unlevied assessments receivable	-	228,404	-	-
Total Assets	\$ 4,037,315	\$ 300,000	\$ 53,144	\$ 12,848
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 1,281	\$ -	\$ -	\$ -
Advance from other funds	-	300,000	-	-
Total Liabilities	1,281	300,000	-	-
Fund Balance:				
Reserved for encumbrances	29,516	-	-	-
Undesignated	4,006,518	-	53,144	12,848
Total Fund Balance	4,036,034	-	53,144	12,848
Total Liabilities and Fund Balance	\$ 4,037,315	\$ 300,000	\$ 53,144	\$ 12,848

County of Kalamazoo, Michigan

Nonmajor Capital Projects Funds Combining Balance Sheet

<i>Capital Projects</i>		
<i>Gilbert Drain Construction</i>	<i>Oshtemo Township Water Supply System Construction</i>	<i>Total Capital Projects</i>
\$ 68,673	\$ 28,811	\$ 4,272,387
-	-	228,404
\$ 68,673	\$ 28,811	\$ 4,500,791
\$ -	\$ -	\$ 1,281
-	-	300,000
-	-	301,281
-	-	29,516
68,673	28,811	4,169,994
68,673	28,811	4,199,510
\$ 68,673	\$ 28,811	\$ 4,500,791



	<i>Capital Projects</i>			
<i>Year Ended December 31, 2004</i>	<i>General County Public Improvement</i>	<i>Drains</i>	<i>Townline Drain Construction</i>	<i>Carter Bowers Intercounty Drain</i>
Revenues:				
Interest	\$ 46,072	\$ -	\$ -	\$ -
Other	-	26,842	-	5,023
Total Revenues	46,072	26,842	-	5,023
Expenditures -				
Public works	1,817,626	26,842	81,856	85,889
Excess (Deficiency) of Revenues Over Expenditures	(1,771,554)	-	(81,856)	(80,866)
Other Financing Sources (Uses):				
Transfers out	-	-	-	(22,286)
Issuance of note	1,750,000	-	135,000	116,000
Total Other Financing Sources	1,750,000	-	135,000	93,714
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(21,554)	-	53,144	12,848
Fund Balance, beginning of year	4,057,588	-	-	-
Fund Balance, end of year	\$ 4,036,034	\$ -	\$ 53,144	\$ 12,848

County of Kalamazoo, Michigan

Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Capital Projects</i>		
<i>Gilbert Drain Construction</i>	<i>Oshtemo Township Water Supply System Construction</i>	<i>Total Capital Projects</i>
\$ -	\$ -	\$ 46,072
-	-	31,865
-	-	77,937
81,327	-	2,093,540
(81,327)	-	(2,015,603)
-	-	(22,286)
150,000	-	2,151,000
150,000	-	2,128,714
68,673	-	113,111
-	28,811	4,086,399
\$ 68,673	\$ 28,811	\$ 4,199,510

County of Kalamazoo, Michigan

Parks and Recreation Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Charges for services	\$ 562,000	\$ 562,000	\$ 505,499	\$ (56,501)
Other	40,800	40,800	45,073	4,273
Total Revenues	602,800	602,800	550,572	(52,228)
Expenditures -				
Recreation and culture	1,145,700	1,104,200	1,122,777	(18,577)
Deficiency of Revenues Over Expenditures	(542,900)	(501,400)	(572,205)	(70,805)
Other Financing Sources (Uses):				
Transfers in:				
General Fund	474,000	432,500	511,750	79,250
Accommodation Tax Fund	77,800	77,800	60,455	(17,345)
Transfers out - Parks Improvement Fund	(8,900)	(8,900)	-	8,900
Total Other Financing Sources	542,900	501,400	572,205	70,805
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

Friend of the Court Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
State grants	\$ -	\$ -	\$ 6,701	\$ 6,701
Charges for services	15,700	11,700	24,080	12,380
Other	-	-	(595)	(595)
Total Revenues	15,700	11,700	30,186	18,486
Expenditures -				
Judicial	2,978,100	2,890,300	2,851,249	39,051
Deficiency of Revenues Over Expenditures	(2,962,400)	(2,878,600)	(2,821,063)	57,537
Other Financing Sources -				
Transfers in:				
General Fund	2,942,400	2,858,600	2,801,063	(57,537)
Law Enforcement Fund	20,000	20,000	20,000	-
Total Other Financing Sources	2,962,400	2,878,600	2,821,063	(57,537)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

Health Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Licenses and permits	\$ 450,300	\$ 453,200	\$ 438,735	\$ (14,465)
Federal grants	236,100	237,550	280,981	43,431
State grants	1,275,500	1,272,050	1,278,125	6,075
Local unit contributions	183,400	210,600	177,962	(32,638)
Charges for services	1,245,400	1,316,100	1,432,838	116,738
Other	2,900	4,500	4,195	(305)
Total Revenues	3,393,600	3,494,000	3,612,836	118,836
Expenditures:				
Health and welfare	5,768,400	5,758,700	5,575,800	182,900
Capital outlay	-	62,700	112,523	(49,823)
Total Expenditures	5,768,400	5,821,400	5,688,323	133,077
Excess (Deficiency) of Revenues Over Expenditures	(2,374,800)	(2,327,400)	(2,075,487)	251,913
Other Financing Sources (Uses) -				
Transfers in:				
General Fund	2,374,800	2,272,400	2,020,468	(251,932)
HIV/AIDS Special Revenue Fund	-	32,700	43,835	11,135
Health and Welfare Special Grants Fund	-	22,300	11,184	(11,116)
Total Other Financing Sources	2,374,800	2,327,400	2,075,487	(251,913)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	1,500	1,500	1,500	-
Fund Balance, end of year	\$ 1,500	\$ 1,500	\$ 1,500	\$ -

County of Kalamazoo, Michigan

Accommodation Tax Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues -				
Taxes	\$ -	\$ 1,680,000	\$ 1,679,091	\$ (909)
Expenditures -				
Recreation and culture	-	1,577,000	1,591,480	(14,480)
Excess (Deficiency) of Revenues Over Expenditures	-	103,000	87,611	(15,389)
Other Financing Sources (Uses) -				
Transfers out:				
General Fund	-	(25,200)	(25,186)	14
Parks and Recreation Fund	-	(77,800)	(60,455)	17,345
Total Other Financing Sources (Uses)	-	(103,000)	(85,641)	17,359
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	1,970	1,970
Fund Balance, beginning of year	342,950	342,950	342,950	-
Fund Balance, end of year	\$ 342,950	\$ 342,950	\$ 344,920	\$ 1,970

County of Kalamazoo, Michigan

Law Library Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues -				
Other	\$ -	\$ 6,500	\$ 6,500	\$ -
Expenditures -				
Judicial	-	86,500	83,560	<u>2,940</u>
Deficiency of Revenues Over Expenditures	-	(80,000)	(77,060)	2,940
Other Financing Sources -				
Transfers in - General Fund	-	80,000	77,060	<u>(2,940)</u>
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	<u>-</u>
Fund Balance, end of year	\$ -	\$ -	\$ -	<u>\$ -</u>

County of Kalamazoo, Michigan

Area Agency on Aging Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ 861,390	\$ 869,973	\$ 8,583
State grants	-	593,073	639,357	46,284
Local unit contributions	-	11,000	9,000	(2,000)
Charges for services	-	29,350	35,368	6,018
Other	-	4,185	49,780	45,595
Total Revenues	-	1,498,998	1,603,478	104,480
Expenditures -				
Health and welfare	-	1,543,741	1,657,378	(113,637)
Deficiency of Revenues Over Expenditures	-	(44,743)	(53,900)	(9,157)
Other Financing Sources -				
Transfers in - General Fund	-	44,743	53,900	9,157
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	22,481	22,481	22,481	-
Fund Balance, end of year	\$ 22,481	\$ 22,481	\$ 22,481	\$ -

County of Kalamazoo, Michigan

Child Care Probate Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ 65,000	\$ 65,000	\$ 68,983	\$ 3,983
State grants	2,880,800	2,880,800	2,959,108	78,308
Local unit contributions	105,000	105,000	96,323	(8,677)
Charges for services	56,000	56,000	48,108	(7,892)
Other	1,500	1,500	6,065	4,565
Total Revenues	3,108,300	3,108,300	3,178,587	70,287
Expenditures -				
Health and welfare	7,143,000	7,080,600	7,522,919	(442,319)
Deficiency of Revenues Over Expenditures	(4,034,700)	(3,972,300)	(4,344,332)	(372,032)
Other Financing Sources (Uses):				
Transfers in:				
General Fund	3,868,900	3,806,500	4,180,364	373,864
Law Enforcement Fund	165,800	165,800	165,800	-
Transfers out -				
Judicial Special Grants Fund	-	-	(1,832)	(1,832)
Total Other Financing Sources	4,034,700	3,972,300	4,344,332	372,032
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

Veterans' Trust Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues -				
State grants	\$ -	\$ 44,000	\$ 24,447	\$ 19,553
Expenditures -				
Health and welfare	-	44,000	12,447	31,553
Excess of Revenues Over Expenditures	-	-	12,000	12,000
Other Financing Sources (Uses) -				
Transfers out - General Fund	-	-	(12,000)	(12,000)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

Community Healthy Start Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ -	\$ 577,165	\$ 577,165
Local unit contributions	-	-	40,379	40,379
Charges for services	-	-	3,145	3,145
Other	-	-	162	162
Total Revenues	-	-	620,851	620,851
Expenditures -				
Health and welfare	-	-	651,243	(651,243)
Deficiency of Revenues Over Expenditures	-	-	(30,392)	(30,392)
Other Financing Sources -				
Transfers in:				
General Fund	-	-	29,900	29,900
Health and Welfare Special Grants Fund	-	-	492	492
Total Other Financing Sources	-	-	30,392	30,392
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	791	791	791	-
Fund Balance, end of year	\$ 791	\$ 791	\$ 791	\$ -

County of Kalamazoo, Michigan

HIV/AIDS HOPWA Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues -				
Federal grants	\$ -	\$ 224,398	\$ 216,735	\$ (7,663)
Expenditures -				
Health and welfare	-	224,398	216,271	(8,127)
Excess of Revenues Over Expenditures	-	-	464	464
Other Financing Sources (Uses) -				
Transfers out -				
Health Special Revenue Fund	-	-	(43,835)	(43,835)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	-	-	(43,371)	(43,371)
Fund Balance, beginning of year	43,371	43,371	43,371	-
Fund Balance, end of year	\$ 43,371	\$ 43,371	\$ -	\$ (43,371)

County of Kalamazoo, Michigan

Community Corrections Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
State grants	\$ -	\$1,743,517	\$1,605,022	\$ (138,495)
Charges for services	-	132,000	129,963	(2,037)
Total Revenues	-	1,875,517	1,734,985	(140,532)
Expenditures -				
Public safety	-	1,875,517	1,675,230	200,287
Excess of Revenues Over Expenditures	-	-	59,755	59,755
Other Financing Sources (Uses) -				
Transfers out -				
Health and Welfare Special Grants Fund	-	-	(1,198)	(1,198)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	58,557	58,557
Fund Balance, beginning of year	266,963	266,963	266,963	-
Fund Balance, end of year	\$ 266,963	\$ 266,963	\$ 325,520	\$ 58,557

County of Kalamazoo, Michigan

Workforce Investment Act (W.I.A.) Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$5,850,000	\$6,223,098	\$ 373,098
State grants	-	-	332,854	332,854
Total Revenues	-	5,850,000	6,555,952	705,952
Expenditures -				
Health and welfare	-	5,850,000	6,555,952	(705,952)
Excess of Revenues Over Expenditures	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

County Incentive Transportation Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ 126,977	\$ 145,100	\$ 18,123
State grants	-	651,167	556,695	(94,472)
Local unit contributions	-	-	50	50
Charges for services	-	425,359	352,528	(72,831)
Other	-	-	2,810	2,810
Total Revenues	-	1,203,503	1,057,183	(146,320)
Expenditures -				
Health and welfare	-	1,345,703	1,301,040	44,663
Excess (Deficiency) of Revenues Over Expenditures	-	(142,200)	(243,857)	(101,657)
Other Financing Sources -				
Transfers in - General Fund	-	142,200	243,857	101,657
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

County Incentive Transportation Special Revenue Fund Supplemental Schedules Year Ended December 31, 2004

<i>SCHEDULE 1 -</i>	<i>January 1,</i>	<i>October 1,</i>	
<i>Operating Revenues</i>	<i>2004 -</i>	<i>2004 -</i>	
	<i>September 30,</i>	<i>December 31,</i>	<i>Total</i>
	<i>2004</i>	<i>2004</i>	
Contract fares:			
Local bus operating - non-urban	\$ 53,984	\$ 16,336	\$ 70,320
Local bus operating urban	205,043	67,047	272,090
Specialized service	(366)	955	589
Passenger fares:			
Local bus operating non-urban	5,104	3,775	8,879
Local bus operating urban	20,771	15,836	36,607
Specialized service	1,154	-	1,154
Gain from sale of capital assets	-	1,039	1,039
Total Operating Revenues	\$ 285,690	\$ 104,988	\$ 390,678

<i>SCHEDULE 2 -</i>				
<i>Operating Expenses</i>	<i>Operations</i>	<i>Maintenance</i>	<i>Administration</i>	<i>Total</i>
Labor	\$ 649,303	\$ -	\$ 84,585	\$ 733,888
Fringe benefits	183,335	-	38,412	221,747
Advertising fees	-	-	869	869
Services	29,481	981	76,741	107,203
Materials and supplies	115,370	-	10,899	126,269
Utilities	12,841	-	5,161	18,002
Insurance	54,282	-	-	54,282
Purchased transportation	80,248	-	-	80,248
Travel, meetings, and training	-	-	3,690	3,690
Association dues and subscriptions	-	-	305	305
Leases and rentals	23,956	-	5,838	29,794
Miscellaneous	408	-	101	509
Total Operating Expenses	\$1,149,224	\$ 981	\$ 226,601	\$ 1,376,806

County of Kalamazoo, Michigan

County Incentive Transportation Special Revenue Fund Supplemental Schedules (Continued) Year Ended December 31, 2004

SCHEDULE 3 -		January 1,	October 1,	
Non-Operating Revenues	Bus	2004 -	2004 -	
	Rehabilitation	September 30,	December 31,	Total
		2004	2004	
Local Grants:				
Contributed service:				
Local bus operating - non-urban	\$ -	\$ 8,291	\$ 3,070	\$ 11,361
Local bus operating urban	-	35,468	12,524	47,992
Specialized service	-	12,643	3,771	16,414
Local operating assistance:				
Local bus operating urban	-	92,569	32,828	125,397
Specialized service	-	62,892	14,635	77,527
Total Local Grants	-	211,863	66,828	278,691
State of Michigan Grants:				
Local bus operating assistance:	(354)	-	-	(354)
Non-urban	-	169,278	57,417	226,695
Urban	-	205,106	56,796	261,902
Specialized services	-	71,815	18,917	90,732
Total State of Michigan Grants	(354)	446,199	133,130	578,975
Federal Grants:				
Section 5307	-	64,799	21,600	86,399
Section 5311	(1,416)	29,097	9,911	37,592
RTAP	-	2,126	577	2,703
Total Federal Grants	(1,416)	96,022	32,088	126,694
Total Non-Operating Revenues	\$ (1,770)	\$ 754,084	\$ 232,046	\$ 984,360

SCHEDULE 4 -				
Expenses by Contract and	Local Bus	Local Bus	Specialized	
General Operations	Operations	Operations	Services	Total
	Urban	Non-Urban		
Labor	\$ 473,032	\$ 207,885	\$ 52,971	\$ 733,888
Fringe benefits	142,732	60,840	18,175	221,747
Advertising fees	532	127	210	869
Services	68,638	20,899	17,666	107,203
Materials and supplies	79,567	37,066	9,636	126,269
Utilities	11,610	4,772	1,620	18,002
Insurance	33,802	15,995	4,485	54,282
Purchased transportation	-	-	80,248	80,248
Travel, meetings, and training	623	2,852	215	3,690
Association dues and subscriptions	251	46	8	305
Leases and rentals	19,206	8,336	2,252	29,794
Miscellaneous	345	147	17	509
Total Expenses by Contract and				
General Operations	\$ 830,338	\$ 358,965	\$ 187,503	\$ 1,376,806

<i>Federal Section 5307</i>		
	<i>January 1, 2004 - September 30, 2004</i>	<i>October 1, 2004 - December 31, 2004</i>
<i>SCHEDULE 5 - Net Eligible Expenses</i>		
Labor	\$ 358,924	\$ 114,108
Fringe benefits	107,477	35,255
Advertising fees	531	-
Services	51,599	17,039
Materials and supplies	59,141	20,426
Utilities	8,644	2,966
Insurance	22,299	11,502
Travel, meetings, and training	450	174
Association dues and subscriptions	251	-
Leases and rentals	14,196	5,010
Miscellaneous	195	151
Total Operating Expenses before Depreciation	623,707	206,631
Less Ineligible Expenses:		
Locally-Operating Program Expenses -		
Association dues	66	-
RTAP	-	-
Total Ineligible Expenses	66	-
Net Eligible Expenses	\$ 623,641	\$ 206,631
Reimbursement Percentage	50% up to \$86,399	50% up to \$36,000
Maximum 5307 Reimbursement	\$ 64,799	\$ 21,600
Maximum 5311 Reimbursement		
Maximum Local Bus Operating Assistance		

<i>SCHEDULE 6 - Operations</i>	<i>Public Transportation</i>	
Demand - Response:		
First Quarter	126,210	
Second Quarter	123,747	
Third Quarter	126,096	
Fourth Quarter	97,910	
Total Operations	473,963	Miles

County of Kalamazoo, Michigan

County Incentive Transportation Special Revenue Fund Supplemental Schedules (Concluded) Year Ended December 31, 2004

<i>Federal Section 5311</i>		<i>Local Bus Operating Assistance</i>	
<i>January 1, 2004 - September 30, 2004</i>	<i>October 1, 2004 - December 31, 2004</i>	<i>January 1, 2004 - September 30, 2004</i>	<i>October 1, 2004 - December 31, 2004</i>
\$ 156,988	\$ 50,897	\$ 515,912	\$ 165,005
45,676	15,164	153,153	50,419
127	-	658	-
15,616	5,283	67,215	22,322
27,189	9,877	86,330	30,303
3,488	1,284	12,132	4,250
10,356	5,640	32,655	17,142
2,231	620	2,681	794
46	-	297	-
6,071	2,264	20,267	7,274
91	56	286	207
<u>267,879</u>	<u>91,085</u>	<u>891,586</u>	<u>297,716</u>
26	-	92	-
<u>2,704</u>	<u>578</u>	<u>2,704</u>	<u>578</u>
<u>2,730</u>	<u>578</u>	<u>2,796</u>	<u>578</u>
<u>\$ 265,149</u>	<u>\$ 90,507</u>	<u>\$ 888,790</u>	<u>\$ 297,138</u>
10.95%	10.95%	42.236619648%	38.437574823%
<u>\$ 29,034</u>	<u>\$ 9,911</u>	<u>\$ 375,395</u>	<u>\$ 114,213</u>

<i>Federal Grantor/Pass-through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>State Grantor Number</i>	<i>Program or Award Amount</i>
Capital Assistance - State and Federal -			
<i>Passed-through Michigan Department of Transportation -</i>			
Michigan Department of Transportation:			
Capital Assistance - Section 5311	20.509	2002-0056/Z3	\$ 140,000
Capital Assistance - Section 5311	20.509	2011-0918	139,000
Total Capital Assistance - State and Federal			279,000
State and Federal Operating Assistance:			
(computation based on operating expense):			
<i>Passed-through Michigan Department of Transportation:</i>			
Operating Assistance - Section 5307	20.507	MI-90-X426	86,399
Operating Assistance - Section 5307	20.507	MI-90-X461	36,000
Operating Assistance - Section 5311	20.509	2002-0056/Z2	-
Operating Assistance - Section 5311	20.509	2002-0056/Z9	39,903
Operating Assistance - Section 5311	20.509	2002-0056/Z13	14,878
RTAP 2004	20.509		-
RTAP 2005	20.509		-
Michigan Department of Transportation:			
Operating Assistance - Act 51	N/A	1999 ACT-51	-
Operating Assistance - Act 51	N/A	2003 ACT-51	-
Operating Assistance - Act 51	N/A	2004 ACT-51	489,695
Operating Assistance - Act 51	N/A	2005 ACT-51	452,448
Total State and Federal Operating Assistance			1,119,323
Specialized Services -			
Michigan Department of Transportation:			
Specialized Services Operating Assistance	N/A	2002-0056/Z8	113,473
Specialized Services Operating Assistance	N/A	2002-0056/Z11	103,697
Total Specialized Services			217,170
			\$ 1,181,153

County of Kalamazoo, Michigan

Schedule of Financial Assistance Michigan Department of Transportation - Federal and State Year Ended December 31, 2004

<i>Federal Receipts/ Revenue</i>	<i>State Receipts/ Revenue</i>	<i>Disbursements/ Expenditures</i>	<i>Amount Remaining</i>
\$ (1,345)	\$ (336)	\$ (1,681)	\$ -
(71)	(18)	(89)	-
(1,416)	(354)	(1,770)	-
64,799	-	64,799	-
21,600	-	21,600	14,400
(123)	-	(123)	-
29,097	-	29,097	-
9,911	-	9,911	4,967
2,126	-	2,126	-
578	-	578	-
-	(31,425)	(31,425)	-
-	(9,385)	(9,385)	-
-	374,384	374,384	-
-	114,213	114,213	338,235
127,988	447,787	575,775	357,602
-	71,815	71,815	-
-	18,917	18,917	84,780
-	90,732	90,732	84,780
\$ 126,572	\$ 538,165	\$ 664,737	\$ 442,382

County of Kalamazoo, Michigan

Head Start Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ 4,802,804	\$ 4,855,966	\$ 53,162
State grants	-	211,200	211,200	-
Charges for services	-	24,000	9,610	(14,390)
Other	-	147,500	19,837	(127,663)
Total Revenues	-	5,185,504	5,096,613	(88,891)
Expenditures:				
Health and welfare	-	5,050,504	4,916,966	133,538
Capital outlay	-	135,000	179,647	(44,647)
Total Expenditures	-	5,185,504	5,096,613	88,891
Excess of Revenues Over Expenditures	-	-	-	-
Other Financing Sources -				
Transfers in - General Fund	-	-	-	-
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	1,301	1,301	1,301	-
Fund Balance, end of year	\$ 1,301	\$ 1,301	\$ 1,301	\$ -

County of Kalamazoo, Michigan

Judicial Special Grants Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ 1,712,834	\$1,228,806	\$ (484,028)
State grants	-	275,920	187,817	(88,103)
Local unit contributions	-	13,602	8,915	(4,687)
Charges for services	-	45,090	34,390	(10,700)
Total Revenues	-	2,047,446	1,459,928	(587,518)
Expenditures:				
Judicial	-	2,228,119	1,638,861	589,258
Capital outlay	-	26,270	-	26,270
Total Expenditures	-	2,254,389	1,638,861	615,528
Deficiency of Revenues Over Expenditures	-	(206,943)	(178,933)	28,010
Other Financing Sources -				
Transfers in:				
General Fund	-	206,943	177,101	(29,842)
Child Care Special Revenue Fund	-	-	1,832	1,832
Total Other Financing Sources	-	206,943	178,933	(28,010)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ -	\$ -	\$ -	\$ -

County of Kalamazoo, Michigan

Public Safety Special Grants Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ 2,311,271	\$ 1,012,266	\$ (1,299,005)
State grants	-	736,578	627,306	(109,272)
Local unit contributions	-	5,000	4,517	(483)
Interest	-	-	3,867	3,867
Other	-	-	31,308	31,308
Total Revenues	-	3,052,849	1,679,264	(1,373,585)
Expenditures:				
Public safety	-	2,590,488	1,299,935	1,290,553
Capital outlay	-	582,623	365,915	216,708
Total Expenditures	-	3,173,111	1,665,850	1,507,261
Excess (Deficiency) of Revenues Over Expenditures	-	(120,262)	13,414	133,676
Other Financing Sources -				
Transfers in:				
General Fund	-	27,950	27,220	(730)
Law Enforcement Fund	-	92,312	71,546	(20,766)
Total Other Financing Sources	-	120,262	98,766	(21,496)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	112,180	112,180
Fund Balance, beginning of year	345,356	345,356	345,356	-
Fund Balance, end of year	\$ 345,356	\$ 345,356	\$ 457,536	\$ 112,180

County of Kalamazoo, Michigan

Public Works Special Grants Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
State grants	\$ -	\$ 127,994	\$ 101,632	\$ (26,362)
Charges for services	-	1,600	-	(1,600)
Total Revenues	-	129,594	101,632	(27,962)
Expenditures:				
Public works	-	124,594	101,632	22,962
Capital outlay	-	5,000	-	5,000
Total Expenditures	-	129,594	101,632	27,962
Excess of Revenues Over Expenditures	-	-	-	-
Fund Balance, beginning of year	1,635	1,635	1,635	-
Fund Balance, end of year	\$ 1,635	\$ 1,635	\$ 1,635	\$ -

County of Kalamazoo, Michigan

Health and Welfare Special Grants Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ 2,698,437	\$ 2,894,928	\$ 196,491
State grants	-	1,339,399	985,778	(353,621)
Local unit contributions	-	153,365	34,064	(119,301)
Charges for services	-	423,421	574,720	151,299
Other	-	39,400	45,917	6,517
Total Revenues	-	4,654,022	4,535,407	(118,615)
Expenditures:				
Health and welfare	-	4,737,982	4,422,145	315,837
Capital outlay	-	51,574	78,512	(26,938)
Total Expenditures	-	4,789,556	4,500,657	288,899
Excess (Deficiency) of Revenues Over Expenditures	-	(135,534)	34,750	170,284
Other Financing Sources (Uses):				
Transfers in:				
General Fund	-	118,867	60,575	(58,292)
Community Corrections Fund	-	37,649	1,198	(36,451)
Transfers out:				
Community Healthy Start Fund	-	-	(492)	(492)
Health Special Revenues Fund	-	-	(11,184)	(11,184)
Total Other Financing Sources	-	156,516	50,097	(106,419)
Excess of Revenues Over Expenditures and Other Financing Sources	-	20,982	84,847	63,865
Fund Balance, beginning of year	517,950	517,950	517,950	-
Fund Balance, end of year	\$ 517,950	\$ 538,932	\$ 602,797	\$ 63,865

County of Kalamazoo, Michigan

Other Special Grants Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues -				
Charges for services	\$ -	\$ -	\$ -	\$ -
Expenditures -				
Other	-	22,000	4,217	17,783
Deficiency of Revenues Over Expenditures	-	(22,000)	(4,217)	17,783
Fund Balance, beginning of year	22,557	22,557	22,557	-
Fund Balance, end of year	\$ 22,557	\$ 557	\$ 18,340	\$ 17,783

County of Kalamazoo, Michigan

Capital Outlay Special Grants Special Revenue Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Federal grants	\$ -	\$ -	\$ 23,538	\$ 23,538
State grants	-	1,000,000	409,736	(590,264)
Local unit contributions	-	1,596,675	537,250	(1,059,425)
Charges for services	-	250,000	313,955	63,955
Interest and revenues	-	1,000	7,913	6,913
Other	-	130,000	2,644	(127,356)
Total Revenues	-	2,977,675	1,295,036	(1,682,639)
Expenditures -				
Capital outlay	-	2,986,575	1,105,368	1,881,207
Excess (Deficiency) of Revenues Over Expenditures	-	(8,900)	189,668	198,568
Other Financing Sources -				
Transfers in - Parks and Recreation Fund	-	8,900	-	(8,900)
Excess of Revenues Over Expenditures and Other Financing Sources	-	-	189,668	189,668
Fund Balance, beginning of year	333,352	333,352	333,352	-
Fund Balance, end of year	\$ 333,352	\$ 333,352	\$ 523,020	\$ 189,668

Internal Service Funds



County of Kalamazoo, Michigan

Internal Service Funds

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, and to other government units on a cost reimbursement basis.

Employee Benefits Fund - This fund was established to accumulate and allocate the costs of fringe benefits provided to employees of the primary government. Funding is provided through charges to the departments based upon payroll costs.

Information Systems Fund - This fund was established to account for the costs to maintain financial, management computer systems, and application software used by departments of the primary government. Funding is provided through charges to benefited departments and inter-fund transfers.

Technology Fund - This fund was established to accumulate and allocate the costs to provide telephone services throughout all departments of the primary government. Funding is provided through charges for services to benefited departments.

Nazareth Facility Fund - This fund was established to accumulate and allocate the operating and maintenance costs of the facility that house many health and welfare departments of the primary government. Funding is provided through rental charges to benefited departments.

Central Stores Fund - This fund was established to accumulate and allocate the costs of print shop and central stores of the primary government. Funding is provided through charges for services and products to benefited departments.

HSD Personnel Pool Fund - This fund was established to accumulate and allocate the costs of a personnel pool utilized by many of the health and welfare departments of the primary government. Funding is provided through charges for services to benefited departments.

<i>December 31, 2004</i>	<i>Employee Benefits</i>	<i>Information Systems</i>	<i>Technology</i>
Assets:			
Cash	\$ -	\$ 336,668	\$ 92,590
Receivables - Accounts	125,036	-	-
Inventories	-	-	-
Prepaid items	495,685	6,534	62,942
Total Current Assets	620,721	343,202	155,532
Property, Plant, and Equipment, net of accumulated depreciation	-	124,325	866,527
Total Assets	\$ 620,721	\$ 467,527	\$ 1,022,059

Liabilities and Net Assets

Liabilities:			
Checks issued against future deposits	\$ 78,465	\$ -	\$ -
Accounts payable	343,166	937	9,614
Due to other funds	78,389	-	-
Accrued expenses	13,205	89,131	-
Liability for estimated claims	1,654,805	-	-
Deposits payable	(46,569)	-	-
Total Liabilities	2,121,461	90,068	9,614
Net Assets:			
Investment in capital assets, net of related debt	-	124,325	866,527
Unrestricted	(1,500,740)	253,134	145,918
Total Net Assets (Deficit)	(1,500,740)	377,459	1,012,445
Total Liabilities and Net Assets	\$ 620,721	\$ 467,527	\$ 1,022,059

County of Kalamazoo, Michigan

Combining Statement of Net Assets Internal Service Funds

<i>Nazareth Facility</i>	<i>Central Stores</i>	<i>HSD Personnel Pool</i>	<i>Total</i>
\$ 176,371	\$ 8,842	\$ 993	\$ 615,464
57	4,731	56,320	186,144
478	66,629	-	67,107
10,417	10,239	-	585,817
187,323	90,441	57,313	1,454,532
3,600	-	-	994,452
\$ 190,923	\$ 90,441	\$ 57,313	\$ 2,448,984

\$ -	\$ -	\$ -	\$ 78,465
32,018	23,374	85	409,194
-	-	-	78,389
17,763	5,324	57,228	182,651
-	-	-	1,654,805
-	8,993	-	(37,576)
49,781	37,691	57,313	2,365,928
3,600	-	-	994,452
137,542	52,750	-	(911,396)
141,142	52,750	-	83,056
\$ 190,923	\$ 90,441	\$ 57,313	\$ 2,448,984



<i>Year Ended December 31, 2004</i>	<i>Employee Benefits</i>	<i>Information Systems</i>	<i>Technology</i>
Operating Revenues -			
Charges for services	\$ 20,543,243	\$ 110,463	\$ 627,472
Operating Expenses:			
Operating expenses	-	760,217	276,735
Depreciation and amortization	-	79,376	282,992
Employee benefits	20,117,054	-	-
Total Operating Expenses	20,117,054	839,593	559,727
Operating Income (Loss)	426,189	(729,130)	67,745
Transfers in - General Fund	-	729,130	-
Change in Net Assets (Deficit)	426,189	-	67,745
Net Assets (Deficit), beginning of year	(1,926,929)	377,459	944,700
Net Assets (Deficit), end of year	\$ (1,500,740)	\$ 377,459	\$ 1,012,445

County of Kalamazoo, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds

<i>Nazareth Facility</i>	<i>Central Stores</i>	<i>HSD Personnel Pool</i>	<i>Total</i>
<u>\$ 840,619</u>	<u>\$ 997,774</u>	<u>\$ 140,562</u>	<u>\$ 23,260,133</u>
664,864	981,223	140,562	2,823,601
227,388	-	-	589,756
-	-	-	20,117,054
<u>892,252</u>	<u>981,223</u>	<u>140,562</u>	<u>23,530,411</u>
(51,633)	16,551	-	(270,278)
-	-	-	729,130
(51,633)	16,551	-	458,852
<u>192,775</u>	<u>36,199</u>	<u>-</u>	<u>(375,796)</u>
<u>\$ 141,142</u>	<u>\$ 52,750</u>	<u>\$ -</u>	<u>\$ 83,056</u>

<i>Year Ended December 31, 2004</i>	<i>Employee Benefits</i>	<i>Information Systems</i>	<i>Technology</i>
Operating Activities:			
Cash received from interfund services provided	\$20,487,072	\$ 110,463	\$ 627,472
Cash paid to employees	(900,521)	(492,721)	-
Cash paid for interfund services used	(1,645,872)	(197,864)	-
Cash paid to suppliers	(17,940,679)	(84,489)	(457,132)
Cash Provided by (Used in) Operating Activities	-	(664,611)	170,340
Cash Provided by Non-Capital Financing Activities -			
Transfers from other funds	-	729,130	-
Capital and Related Financing Activities:			
Reduction in advances from other funds	-	-	-
Acquisition of capital assets	-	(116,526)	(77,750)
Cash Used in Capital and Related Financing Activities	-	(116,526)	(77,750)
Net Increase (Decrease) in Cash	-	(52,007)	92,590
Cash, beginning of year	-	388,675	-
Cash, end of year	\$ -	\$ 336,668	\$ 92,590

Reconciliation of Operating Income (Loss) to

Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 426,189	\$ (729,130)	\$ 67,745
Depreciation and amortization	-	79,376	282,992
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(56,171)	-	-
Inventories	-	-	-
Prepaid items	29,951	(6,534)	(39,896)
Increase (decrease) in:			
Checks issued against future deposits	78,465	-	-
Accounts payable	(725,137)	(2,187)	(140,501)
Due to other funds	(123,816)	-	-
Accrued expenses	(216,115)	(6,136)	-
Liability for estimated claims	574,263	-	-
Deposits payable	12,371	-	-
Cash Provided by (Used in) Operating Activities	\$ -	\$ (664,611)	\$ 170,340

County of Kalamazoo, Michigan

Combining Statement of Cash Flows Internal Service Funds



<i>Nazareth Facility</i>	<i>Central Stores</i>	<i>HSD Personnel Pool</i>	<i>Total</i>
\$ 887,003	\$ 997,225	\$ 141,819	\$ 23,251,054
(203,258)	(99,070)	(50,370)	(1,745,940)
(113,804)	(38,052)	(29,246)	(2,024,838)
(349,810)	(857,658)	(68,637)	(19,758,405)
220,131	2,445	(6,434)	(278,129)
-	-	-	729,130
(152,995)	-	-	(152,995)
-	-	-	(194,276)
(152,995)	-	-	(347,271)
67,136	2,445	(6,434)	103,730
109,235	6,397	7,427	511,734
\$ 176,371	\$ 8,842	\$ 993	\$ 615,464
\$ (51,633)	\$ 16,551	\$ -	\$ (270,278)
227,388	-	-	589,756
46,384	(549)	1,257	(9,079)
502	50	-	552
-	(10,239)	-	(26,718)
-	-	-	78,465
5,212	2,672	(2,913)	(862,854)
-	-	-	(123,816)
(4,725)	(7,811)	(4,778)	(239,565)
-	-	-	574,263
(2,997)	1,771	-	11,145
\$ 220,131	\$ 2,445	\$ (6,434)	\$ (278,129)

County of Kalamazoo, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual Information Systems Fund

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Operating Revenues -				
Charges for services	\$ 72,000	\$ 72,000	\$ 110,463	\$ 38,463
Operating Expenses:				
Employment expenses	817,400	689,300	680,300	9,000
Contractual and other	243,300	243,300	68,500	174,800
Supplies	26,900	26,900	11,417	15,483
Depreciation	80,500	80,500	79,376	1,124
Total Operating Expenses	1,168,100	1,040,000	839,593	200,407
Operating Income (Loss)	(1,096,100)	(968,000)	(729,130)	238,870
Transfers -				
Transfers in:				
General Fund	994,200	866,100	729,130	(136,970)
Law Enforcement Fund	101,900	101,900	-	(101,900)
Total Transfers	1,096,100	968,000	729,130	(238,870)
Change in Net Assets	-	-	-	-
Net Assets, beginning of year	377,459	377,459	377,459	-
Net Assets, end of year	\$ 377,459	\$ 377,459	\$ 377,459	\$ -

County of Kalamazoo, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual Central Stores Fund

<i>Year Ended December 31, 2004</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Operating Revenues -				
Charges for services	\$ 1,235,000	\$ 1,235,000	\$ 997,774	\$ (237,226)
Operating Expenses:				
Employment expenses	153,500	153,500	129,310	24,190
Contractual and other	31,000	31,000	35,143	(4,143)
Supplies	1,050,500	1,050,500	816,770	233,730
Total Operating Expenses	1,235,000	1,235,000	981,223	253,777
Change in Net Assets	-	-	16,551	16,551
Net Assets, beginning of year	36,199	36,199	36,199	-
Net Assets, end of year	\$ 36,199	\$ 36,199	\$ 52,750	\$ 16,551

Agency Funds



County of Kalamazoo, Michigan

Agency Funds

Agency Funds

Trust and Agency Fund - This fund was established to primarily account for collected taxes, court fees, and other assets held by the County in a trustee capacity or as an agent to be distributed to other individuals, private organizations, and other governments.

Library Trust Fund - This fund was established to account for monies collected by circuit and district courts, which are disbursed at the request of the State of Michigan Library Service to local libraries.

Bail Bond Fund - This fund was established to account for the collection and distribution of bail bonds.

Inmates' Trust Fund - This fund was established to account for the receipt and distribution of monies belonging to individuals residing in the County's corrections facility.

Drain Performance Bond Fund - This fund was established to account for the receipt and disbursement of monies deposited with the Office of the Drain Commissioner as performance bonds to ensure satisfactory completion of contractual obligations.

County of Kalamazoo, Michigan

Agency Funds Statement of Fiduciary Assets and Liabilities

<i>December 31, 2004</i>	<i>Trust and Agency</i>	<i>Library Trust</i>	<i>Bail Bond</i>	<i>Inmates' Trust</i>	<i>Drain Performance Bond</i>	<i>Total</i>
Assets -						
Cash	\$ 6,754,912	\$190,361	\$ 3,020	\$172,340	\$ 245,834	\$ 7,366,467
Liabilities:						
Due to other funds	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ 3,000
Due to governmental units	5,773,398	190,361	-	-	-	5,963,759
Other payables	981,514	-	20	172,340	245,834	1,399,708
Total Liabilities	\$ 6,754,912	\$190,361	\$ 3,020	\$172,340	\$ 245,834	\$ 7,366,467

County of Kalamazoo, Michigan

Agency Funds Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2004

	<i>Balance, January 1, 2004</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, December 31, 2004</i>
<i>Trust and Agency Fund</i>				
Assets:				
Cash	\$ 550,853	\$ 196,484,380	\$ 190,280,321	\$ 6,754,912
Investments	2,599,000	86,947,908	89,546,908	-
Total Assets	\$ 3,149,853	\$ 283,432,288	\$ 279,827,229	\$ 6,754,912
Liabilities:				
Due to other governmental units	1,887,822	105,776,655	101,891,079	5,773,398
Other payables	1,262,031	52,562,501	52,843,018	981,514
Total Liabilities	\$ 3,149,853	\$ 158,339,156	\$ 154,734,097	\$ 6,754,912
<i>Library Trust Fund</i>				
Assets - Cash	\$ 204,670	\$ 536,160	\$ 550,469	\$ 190,361
Liability - Due to other governmental units	\$ 204,670	\$ 536,160	\$ 550,469	\$ 190,361
<i>Bail Bond Fund</i>				
Assets - Cash	\$ 3,020	\$ 1,023,776	\$ 1,023,776	\$ 3,020
Liabilities:				
Due to other funds	\$ 3,000	\$ -	\$ -	\$ 3,000
Other payables	20	-	-	20
Total Liabilities	\$ 3,020	\$ -	\$ -	\$ 3,020
<i>Inmates' Trust Fund</i>				
Assets - Cash	\$ 168,940	\$ 548,775	\$ 545,375	\$ 172,340
Liability - Other payables	\$ 168,940	\$ 3,400	\$ -	\$ 172,340
<i>Drain Performance Bond Fund</i>				
Assets - Cash	\$ 236,348	\$ 158,966	\$ 149,480	\$ 245,834
Liabilities:				
Due to other funds	\$ 12,268	\$ 149,480	\$ 161,748	\$ -
Other payables	224,080	171,234	149,480	245,834
Total Liabilities	\$ 236,348	\$ 320,714	\$ 311,228	\$ 245,834
<i>All Agency Funds</i>				
Assets:				
Cash	\$ 1,163,831	\$ 198,752,057	\$ 192,549,421	\$ 7,366,467
Investments	2,599,000	86,947,908	89,546,908	-
Total Assets	\$ 3,762,831	\$ 285,699,965	\$ 282,096,329	\$ 7,366,467
Liabilities:				
Due to other funds	\$ 15,268	\$ 149,480	\$ 161,748	\$ 3,000
Due to other governmental units	2,092,492	106,312,815	102,441,548	5,963,759
Other payables	1,655,071	52,737,135	52,992,498	1,399,708
Total Liabilities	\$ 3,762,831	\$ 159,199,430	\$ 155,595,794	\$ 7,366,467

Component Units



County of Kalamazoo, Michigan

Component Unit Balance Sheet – At-Large Drains

		<i>Special Revenue</i>
		<i>At-Large Drains</i>
<i>December 31, 2004</i>		
Assets:		
Cash	\$	16,300
Investments		845,550
Total Assets	\$	861,850
Fund Balance -		
Unreserved	\$	861,850

County of Kalamazoo, Michigan

Component Unit Statement of Revenues, Expenditures, and Changes in Fund Balance – At-Large Drains

	<i>Special Revenue</i>
<i>Year Ended December 31, 2004</i>	<i>At-Large Drains</i>
Revenues:	
Interest and rents	\$ 4,079
Other	88,488
Total Revenues	92,567
Expenditures -	
Public Works - Drains	54,897
Excess of Revenues Over Expenditures	37,670
Fund Balance, beginning of year	824,180
Fund Balance, end of year	\$ 861,850

County of Kalamazoo, Michigan

Component Unit Balance Sheet – FIA/Child Care Welfare

		<i>Special Revenue</i>
		<i>FIA/ Child Care Welfare</i>
<i>December 31, 2004</i>		
Assets -		
Cash	\$	565,041
Liabilities -		
Deferred revenues	\$	565,041

County of Kalamazoo, Michigan

Component Unit Statement of Revenues, Expenditures, and Changes in Fund Balance – FIA/Child Care Welfare

	<i>Special Revenue</i>	<i>FIA/ Child Care Welfare</i>
<i>Year Ended December 31, 2004</i>		
Revenues:		
State grants	\$ 942,618	
Local unit contributions	649,100	
Charges for services	133,334	
Other revenues	743,228	
Total Revenues	2,468,280	
Expenditures -		
Health and welfare		2,468,280
Excess of Revenues Over Expenditures		-
Fund Balance, beginning of year		-
Fund Balance, end of year	\$	-

**Statistical Section
(Unaudited)**



County of Kalamazoo, Michigan

General History - General Governmental Revenue by Source (Unaudited) Ten Years Ended December 31, 2004



*General Fund - Primary Government
Source - County of Kalamazoo Office of Finance*

<i>Fiscal Year</i>	<i>Taxes</i>	<i>Licenses and Permits</i>	<i>Inter Governmental</i>	<i>Charges for Services</i>	<i>Fines and Forfeitures</i>	<i>Interest</i>	<i>Other</i>	<i>Total General Revenue</i>
	\$	\$	\$	\$	\$	\$	\$	\$
1995	19,614,616	264,562	9,032,321	3,788,968	591,747	1,146,486	2,066,663	36,505,363
1996	20,017,033	244,864	9,312,486	4,811,784	606,859	1,145,941	2,344,706	38,483,673
1997	20,958,963	258,041	10,660,858	4,795,170	541,352	1,178,791	1,535,934	39,929,109
1998	21,486,561	261,873	10,426,812	5,118,724	508,581	1,151,354	1,654,734	40,608,639
1999	23,585,560	268,721	11,340,712	7,764,693	632,519	1,159,434	1,988,113	46,739,752
2000	24,727,738	281,673	11,549,223	8,087,231	572,187	1,941,527	1,717,339	48,876,918
2001	25,274,717	275,193	13,214,723	7,935,636	507,820	1,546,584	2,342,238	51,096,911
2002	26,364,773	292,130	13,095,444	6,634,623	1,832,553	625,041	2,254,872	51,099,436
2003	28,354,294	260,132	12,007,234	7,378,591	2,016,715	506,600	1,934,105	52,457,671
2004	29,798,568	423,723	9,645,474	7,200,256	2,658,950	494,004	1,855,223	52,076,198

County of Kalamazoo, Michigan

General History – General Governmental Expenditures by Function (Unaudited) Ten Years Ended December 31, 2004

General Fund - Primary Government
Source - County of Kalamazoo Office of Finance

<i>Fiscal Year</i>	<i>Legislative</i>	<i>Judicial</i>	<i>General Government</i>	<i>Public Safety</i>	<i>Health and Welfare</i>	<i>Recreation and Culture</i>	<i>Other Functions</i>	<i>Capital Outlay</i>	<i>Total General Expenditures</i>
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1995	817,830	6,498,720	6,223,488	8,400,293	1,203,660	429,620	2,241,800	965,161	26,780,572
1996	786,616	6,540,647	6,801,639	8,623,086	1,325,438	362,997	1,662,672	1,187,983	27,291,078
1997	789,572	6,999,950	7,062,092	9,239,481	1,357,953	314,156	1,410,777	1,827,442	29,001,423
1998	907,187	7,494,190	7,401,880	9,484,457	1,503,023	340,441	1,788,519	1,478,781	30,398,478
1999	810,213	10,791,419	7,585,300	998,177	1,582,369	371,651	1,756,345	2,280,132	35,175,606
2000	741,196	10,870,350	7,960,663	10,237,330	1,657,950	347,471	1,989,061	1,486,405	35,290,426
2001	801,485	11,605,402	8,119,772	11,620,561	1,705,015	341,293	2,284,778	1,437,500	37,915,806
2002	877,044	12,132,148	8,902,961	12,524,756	1,734,497	272,701	2,718,729	1,060,605	40,223,441
2003	1,026,702	12,565,139	9,127,427	12,810,994	1,619,562	261,062	5,517,536	643,342	43,571,764
2004	966,888	12,488,722	9,506,192	12,803,264	4,285,812	262,685	2,928,181	856,266	44,098,010

Source - County of Kalamazoo Equalization
Exclusive of Industrial and Commercial Facility Tax and Prior to Board of Review Actions

<i>Tax Levy December 1,</i>	<i>Year of Revenue Recognition</i>	<i>Real Property</i>		<i>Personal Property</i>	
		<i>Assessed Value</i>	<i>State Equalized Value</i>	<i>Assessed Value</i>	<i>State Equalized Value</i>
		\$	\$	\$	\$
1994	1995	3,640,035,541	3,643,614,686	613,428,206	613,428,206
1995	1996	3,965,104,120	3,965,104,120	640,694,623	640,694,623
1996	1997	4,315,410,970	4,315,446,769	731,367,819	731,367,819
1997	1998	4,652,860,190	4,652,860,190	752,597,048	752,597,048
1998	1999	5,023,231,520	5,023,231,520	797,200,071	797,200,071
1999	2000	5,352,774,689	5,352,774,689	732,544,957	732,544,957
2000	2001	5,720,645,951	5,720,645,951	794,179,125	794,179,125
2001	2002	6,251,329,166	6,251,329,166	789,912,726	789,912,726
2002	2003	6,723,689,148	6,723,689,148	810,320,054	810,320,054
2003	2004	7,229,950,071	7,229,950,071	792,256,281	792,256,281

County of Kalamazoo, Michigan

Assessments and Taxes Assessed and State Equalized Value of Taxable Property (Unaudited) Ten Years Ended December 31, 2004

<i>Total</i>		<i>Ratio of Total Assessed Value to State Equalized Value</i>
<i>Assessed Value</i>	<i>State Equalized Value</i>	
\$	\$	
4,253,463,747	4,257,042,892	1 to 1
4,605,798,743	4,605,798,743	1 to 1
5,046,778,789	5,046,814,588	1 to 1
5,405,457,238	5,405,457,238	1 to 1
5,820,431,591	5,820,431,591	1 to 1
6,085,319,646	6,085,319,646	1 to 1
6,514,825,076	6,514,825,076	1 to 1
7,041,241,892	7,041,241,892	1 to 1
7,534,009,202	7,534,009,202	1 to 1
8,022,206,352	8,022,206,352	1 to 1

County of Kalamazoo, Michigan

Assessments and Taxes – Property Tax Rates All Direct and Overlapping Governments (Unaudited) Ten Years Ended December 31, 2004

*Source - County of Kalamazoo Equalization Department
(Rates are stated in dollars per one thousand of state equalized or taxable valuation.)*

<i>Fiscal Year</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
<i>County:</i>										
Operating	4.6900	4.6900	4.4610	4.6900	4.6900	4.6900	4.6900	4.6871	4.6871	4.6871
Law enforcement	1.4505	1.4505	1.3795	1.4500	1.4500	1.4500	1.4500	1.4491	1.4491	1.4491
<i>Total County</i>	<i>6.1405</i>	<i>6.1405</i>	<i>5.8405</i>	<i>6.1400</i>	<i>6.1400</i>	<i>6.1400</i>	<i>6.1400</i>	<i>6.1362</i>	<i>6.1362</i>	6.1362
<i>Libraries:</i>										
Kalamazoo District	4.0000	4.0000	4.0000	4.0000	3.9583	3.9583	3.9583	3.9583	3.9583	3.9583
McKay	0.4206	0.4206	0.4206	0.4200	0.5000	0.4919	0.4852	0.4787	0.4629	0.4558
Otsego District	-	-	-	0.9000	0.8000	0.8000	0.8000	0.9888	0.9888	0.9888
Parchment	1.9376	1.9376	1.9376	1.9220	1.9220	1.8996	1.8894	1.8854	1.8700	1.9912
Portage District	-	-	-	-	1.4200	1.3800	1.4900	1.4900	1.4900	1.4900
Ransom	0.8320	0.8320	0.8320	0.8320	0.8320	0.8320	0.8320	0.9323	0.9208	0.9208
Richland	0.9027	0.9027	0.9027	0.9027	0.9002	0.8929	0.8879	1.2070	1.1257	1.1160
Vicksburg District	0.0923	0.9229	0.9111	0.9061	0.8997	0.8879	0.8979	0.8942	0.8709	0.8602
<i>Townships:</i>										
Alamo	1.9128	1.9128	1.9071	0.9005	0.8896	0.8818	0.8727	1.8619	1.8501	1.8450
Brady	0.8810	0.8808	0.8729	0.8677	0.8597	0.8513	0.8457	0.8352	0.8352	0.8281
Charleston	0.9865	0.9850	0.9850	0.9850	0.9850	0.9820	0.9817	0.9817	0.9724	0.9724
Climax	2.9300	2.9300	2.8907	2.8699	2.8365	2.8962	2.8692	2.8487	2.8181	3.2862
Comstock	2.9858	2.9858	2.9858	2.9858	2.9833	2.9833	2.9833	2.9811	2.9678	2.9635
Cooper	0.9226	0.9191	0.9118	0.9009	0.8920	0.8816	0.8760	0.8670	0.8598	0.8594
Kalamazoo	9.1657	9.1657	9.1657	9.1483	9.1372	9.0906	9.0587	8.9943	8.9943	8.9367
Oshtemo	0.9908	0.9908	0.9908	0.9908	0.9906	0.9868	0.9868	0.9855	0.9798	0.9798
Pavilion	0.9139	0.9139	0.9070	0.9012	0.8925	0.8831	0.8791	0.8741	0.8635	0.8551
Prairie Ronde	0.9613	1.4613	1.4513	1.4320	1.4160	1.4088	1.4063	1.4041	1.3950	1.3792
Richland	1.8594	1.8594	1.8594	1.8542	1.8393	1.8291	1.8066	1.8066	1.7834	0.8151
Ross	2.7296	1.7737	0.7725	0.7665	1.2541	1.2371	1.2206	1.2068	1.1804	1.1622
Schoolcraft	0.9397	0.9397	0.9383	0.9375	0.9334	0.9267	0.9267	0.9236	0.9125	0.8990
Texas	0.9305	0.9238	0.9238	0.9183	0.9117	0.9042	0.9025	0.8938	0.8846	0.8741
Wakeshma	0.9098	0.9098	0.9098	0.9098	0.8928	0.8848	0.8798	0.8766	0.8766	1.0000
<i>Cities:</i>										
Galesburg	9.2440	9.2444	9.2287	9.2287	9.1198	9.0814	9.0477	10.0004	9.9603	9.9144
Kalamazoo	20.9882	21.0046	21.1079	21.1440	21.5667	21.5667	21.5667	19.2705	19.2705	19.2705
Parchment	10.0000	10.0000	10.0000	10.0000	11.6772	11.6772	16.6772	16.6772	16.6772	16.6772
Portage	11.0000	11.0000	11.3340	10.1770	10.1000	10.0000	10.0000	10.3017	10.1442	10.1442

County of Kalamazoo, Michigan

Assessments and Taxes – Property Tax Rates All Direct and Overlapping Governments (Unaudited) Ten Years Ended December 31, 2004 (Concluded)

*Source - County of Kalamazoo Equalization Department
(Rates are stated in dollars per one thousand of state equalized or taxable valuation.)*

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>Villages:</i>										
Augusta	7.3643	7.3643	8.8000	8.8000	8.8000	8.8000	10.0000	10.0000	10.0000	10.0000
Climax	9.0000	9.0000	9.0000	9.0000	9.0000	9.0000	9.0000	9.0000	9.0000	9.0000
Richland	9.5000	9.5000	9.5000	9.5000	9.5000	9.5000	9.5000	9.5000	9.5000	9.5000
Schoolcraft	15.4717	15.4717	14.9651	15.9585	15.9517	15.9482	15.9370	15.1251	15.1185	14.9053
Vicksburg	13.7000	13.7000	13.7000	13.7000	13.7000	13.7000	15.0000	15.0000	15.0000	16.4000
<i>Local school</i>										
Athens	18.0000	18.0000	19.5000	18.0000	18.0000	18.0000	21.6418	21.8500	22.0360	21.8500
Climax Scotts	25.0000	27.0000	24.7048	24.5136	25.0000	24.8002	24.6139	25.2000	25.2000	25.0559
Colon	21.0000	20.5032	18.0000	18.0000	18.0000	17.7223	18.0000	17.6408	17.3267	16.9801
Comstock	21.2000	21.2000	21.2000	23.2000	21.2000	21.2000	23.9000	24.4000	21.2000	24.4000
Galesburg Augusta	21.0000	21.0000	21.0000	20.9388	20.9388	24.8274	24.8274	24.8274	24.7685	25.0000
Gull Lake	19.8000	19.6000	19.4226	19.5226	19.4019	18.9830	18.6302	18.0344	19.3400	22.9000
Kalamazoo	19.2500	21.2000	21.0000	21.2000	21.0500	21.0500	22.0800	22.2000	22.2000	22.2000
Lawton	25.0000	24.6958	20.3500	20.2946	21.2041	21.4400	27.0838	26.8967	26.3378	27.8283
Mattawan	25.7300	25.7300	25.7300	25.7300	25.7300	25.7300	25.7300	25.7290	25.7315	23.9500
Mendon	25.0000	27.0000	25.0000	27.0000	24.8470	24.8470	25.0000	25.0000	25.0000	25.0000
Otsego	20.4300	19.7500	19.7500	19.6500	19.6640	19.4831	19.2831	19.2366	19.1170	24.7170
Parchment	22.3000	18.0000	17.7120	22.2120	24.3120	24.3084	25.0084	25.3084	25.0084	24.4084
Plainwell	20.5000	20.5000	19.9000	24.9700	24.7786	23.9706	23.6141	24.6440	24.6440	25.0000
Portage	20.6762	20.6762	20.6762	20.6762	20.6762	20.6762	21.7000	21.7000	21.7000	21.7000
Schoolcraft	22.8000	26.8790	27.0500	27.0500	27.0500	26.9348	26.6969	26.2910	27.0500	27.0500
Vicksburg	23.5000	23.5000	23.5000	23.5000	23.4910	23.3056	23.1898	23.5000	23.5000	23.3769
<i>Community colleges:</i>										
Glen Oaks	2.8670	2.8670	2.8670	2.8409	2.8117	2.7806	2.7559	2.7495	2.7453	2.7453
Kalamazoo Valley	2.8231	2.8231	2.8231	2.8231	2.8151	2.8151	2.8151	2.8139	2.8139	2.8135
Kellogg	2.8739	2.8739	2.8739	3.7239	3.7128	3.7128	3.7106	3.7106	3.7106	3.7106
<i>State education tax</i>	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	6.0000
<i>Intermediate school</i>										
Allegan	4.4874	4.4874	4.4703	4.4385	4.3873	4.3292	4.2770	4.2380	4.1899	4.1520
Calhoun	6.1022	6.1022	6.1022	6.1022	6.0764	6.0764	6.0694	6.0674	6.2057	6.2057
Kalamazoo	3.0500	3.0500	3.0500	3.0500	3.0418	3.0416	3.0416	3.0416	3.0416	3.0416
St. Joseph	2.8491	2.8491	2.8293	2.8037	2.7843	2.7527	2.7235	2.7130	2.7054	2.9307
Van Buren	6.6079	6.6079	6.6079	6.5907	6.5371	6.4754	6.4390	6.3558	6.2641	6.2012

County of Kalamazoo, Michigan

Assessments and Taxes – Property Tax Levies and Collections All Taxing Units Within County (Unaudited) Ten Years Ended December 31, 2004

Source - County of Kalamazoo Treasurer's Office

<i>Fiscal Year</i>	<i>Levy Year</i>	<i>Total Tax Levy</i>	<i>Current Collections</i>		<i>Percentage of Levy Collected</i>
			<i>To</i>	<i>Amount</i>	
		\$		\$	%
1995	1994	162,185,954	3/1/1995	121,145,387	74.70
1996	1995	170,703,806	3/1/1996	125,831,941	73.71
1997	1996	182,109,992	3/1/1997	135,054,080	74.16
1998	1997	195,020,336	3/1/1998	144,770,790	74.23
1999	1998	208,485,500	3/1/1999	157,749,562	75.66
2000	1999	218,455,429	3/1/2000	176,129,329	80.62
2001	2000	221,991,191	3/1/2001	169,533,638	76.37
2002	2001	205,546,587	3/1/2002	193,789,167	94.28
2003	2002	219,707,709	3/1/2003	208,409,353	94.86
2004	2003	256,646,090	3/1/2004	209,936,423	81.80

County of Kalamazoo, Michigan

Assessments and Taxes – Property Tax Levies and Collections County Operating Levy Only (Unaudited) Ten Years Ended December 31, 2004

Source - County of Kalamazoo Treasurer's Office

<i>Fiscal Year</i>	<i>Levy Year</i>	<i>Total Tax Levy</i>	<i>Current Tax Collected</i>	<i>Percentage of Levy Collected</i>
		\$	\$	%
1995	1994	24,426,284	23,136,030	94.72
1996	1995	25,625,222	24,337,588	94.98
1997	1996	26,982,595	25,559,421	94.73
1998	1997	27,533,529	26,176,970	95.07
1999	1998	30,881,097	29,277,008	94.81
2000	1999	31,933,899	30,249,479	94.73
2001	2000	35,165,639	30,982,184	88.10
2002	2001	33,509,965	31,485,341	93.96
2003	2002	36,603,562	34,665,210	94.70
2004	2003	39,168,294	36,770,855	93.88

County of Kalamazoo, Michigan

Assessments and Taxes – Principal Taxpayers Taxable Valuation (Unaudited)

Source - County of Kalamazoo Equalization Department

<i>Taxpayer</i>	<i>2004 Valuation</i>	<i>Percent of 2004 Valuation</i>
	\$	
Pharmacia Corporation	467,538,591	6.96%
Consumer's Energy	94,263,867	1.40%
Meyer C. Weiner	50,035,902	0.74%
Target/Dayton Hudson	49,030,894	0.73%
Edward Rose	48,439,516	0.72%
Fort James/Graphic	36,009,577	0.54%
Meijer, Inc./Goodwill	29,737,438	0.44%
National City Bank	25,752,665	0.38%
Stryker Corp.	25,303,079	0.38%
Portfolio One (Crossroads)	19,685,451	0.29%
Total Ten Largest Taxpayers	845,796,980	12.58%
Other taxpayers	5,875,248,360	87.42%
Total Taxable Valuation	6,721,045,340	100.00%

County of Kalamazoo, Michigan

Assessments and Taxes – Special Assessment Billings and Collections All Taxing Units Within County (Unaudited) Ten Years Ended December 31, 2004

Source - County of Kalamazoo Treasurer's Office

<i>Fiscal Year</i>	<i>Levy Year</i>	<i>Current Assessments Levied</i>	<i>Current Assessments Collected</i>	<i>Delinquent Current Assessments</i>	<i>Total Collections Ratio</i>	<i>Outstanding Assessments</i>
		\$	\$	\$	%	\$
County Road Assessments:						
1995	1994	9,504	8,770	734	100	-
1996	1995	59,128	55,248	3,880	100	-
1997	1996	44,125	40,122	4,003	100	-
1998	1997	97,743	97,015	728	100	-
1999	1998	73,412	65,869	7,543	100	-
2000	1999	51,552	47,217	4,335	100	-
2001	2000	33,307	30,356	2,951	100	-
2002	2001	66,724	61,172	5,552	100	-
2003	2002	54,243	48,343	5,900	100	-
2004	2003	72,959	65,705	7,254	100	-
Drain and Lake Level Assessments:						
1995	1994	2,365	1,783	-	100	-
1996	1995	-	-	-	-	-
1997	1996	-	-	-	-	-
1998	1997	324,608	318,417	6,191	100	-
1999	1998	184,377	164,472	19,905	100	-
2000	1999	183,240	168,714	14,526	100	-
2001	2000	139,363	129,076	10,287	100	-
2002	2001	26,065	25,290	775	100	-
2003	2002	175,533	163,501	12,032	100	-
2004	2003	40,926	35,729	5,197	100	-

County of Kalamazoo, Michigan

Long-Term Debt Computation of Direct and Overlapping Debt All Taxing Units Within County (Unaudited) December 31, 2004

*Source - County of Kalamazoo Equalization Department, Office of Finance, and
Municipal Advisory Council of Michigan*

	<i>Gross Direct Debt</i>	<i>Self- Supporting or Portion Paid Directly by Benefited Municipalities</i>	<i>Net Direct Debt</i>
Direct Debt:			
Building authority	\$ 9,500,000	\$ -	\$ 9,500,000
Water, of this amount \$245,000 is not county credit pledged	245,000	245,000	-
Sewage	12,860,000	12,860,000	-
Subtotal Bonded Debt	22,605,000	13,105,000	9,500,000
Notes payable	2,151,000	401,000	1,750,000
Net Direct Debt	\$ 24,756,000	\$ 13,506,000	11,250,000
Overlapping Debt:			
School districts			311,083,794
Cities and villages			83,559,485
Townships			14,230,515
Community colleges			29,151
District libraries			12,525,000
Total Overlapping Debt			421,427,945
Net Direct and Overlapping Debt			\$ 432,677,945
County Net Direct and Overlapping Debt Per Capita			\$ 1,787.11
2004 Sate Equalized Valuation (December 1, Levy)			\$ 8,022,206,352
Ratio of Net Direct and Overlapping Debt to 2004 State Equalized Value			5.39%

County of Kalamazoo, Michigan

Long-Term Debt Computation of Legal Debt Margin (Unaudited) December 31, 2004

Source - County of Kalamazoo Equalization Department
Exclusive of Industrial and Commercial Facility Tax and Prior to Board of Review Actions

Debt Issued for Purpose of County Functions Only:	
Building authority	\$ 9,500,000
Notes payable	1,750,000
	<hr/>
	11,250,000
<hr/>	
Debt Issued for Benefit of Local Improvements:	
Water, includes \$245,000, whereby the County has not pledged its full faith and credit	245,000
Sewage	12,860,000
Notes payable	401,000
	<hr/>
	13,506,000
<hr/>	
Total Debt Issued with County Full Faith and Credit	\$ 24,756,000

County of Kalamazoo Debt Limit:	
2004 assessed value - real and personal property, County of Kalamazoo Equalization Department figures, exclusive of industrial and commercial facility tax and prior to any board of review action	\$ 8,022,206,352
Constitutional debt limit	10%
<hr/>	
County Debt Limit	802,220,635
<hr/>	
Outstanding Debt	24,756,000
<hr/>	
Remaining Debt Limit Against Bonds Issued	\$ 777,464,635

County of Kalamazoo, Michigan

Long-Term Debt Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures (Unaudited) Ten Years Ended December 31, 2004

Source - County of Kalamazoo Office of Finance

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest and Fiscal Charges</i>	<i>Total Debt Service</i>	<i>Total General Fund Expenditures</i>	<i>Ratio of Debt Service to Total General Fund Expenditures</i>
	\$	\$	\$	\$	%
1995	2,180,005	1,375,653	3,555,658	26,780,572	13.28
1996	2,237,899	1,256,057	3,493,956	27,291,078	12.80
1997	2,404,043	1,162,620	3,566,663	29,001,423	12.30
1998	2,401,049	1,049,511	3,450,560	30,398,478	11.35
1999	2,270,000	1,122,244	3,392,244	35,175,606	9.64
2000	1,840,000	951,234	2,791,234	35,209,426	7.93
2001	2,110,000	994,822	3,104,822	37,915,406	8.19
2002	2,067,865	909,528	2,977,393	40,223,441	7.40
2003	2,345,000	793,684	3,138,684	43,571,764	7.20
2004	1,647,000	959,709	2,606,709	44,098,010	5.91

County of Kalamazoo, Michigan

Long-Term Debt Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt Per Capita (Unaudited) Ten Years Ended December 31, 2004

<i>Fiscal Year</i>	<i>Population (Source - U.S. Bureau of the Census)</i>	<i>Assessment Valuation</i>	<i>Gross Bonded Debt Service</i>	<i>Debt Payable from Delinquent Tax Revolving Fund</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Valuation</i>	<i>Net Bonded Debt per Capita</i>
		\$	\$	\$	\$	%	\$
1995	227,984	4,253,463,747	23,755,823	2,098,000	21,657,823	0.51	95.00
1996	229,008	4,605,798,743	21,550,335	-	21,550,335	0.47	94.10
1997	229,471	5,046,778,789	19,181,050	-	19,181,050	0.38	83.59
1998	229,660	5,405,457,238	16,780,000	-	16,780,000	0.31	73.06
1999	229,867	5,820,431,591	20,610,000	-	20,610,000	0.35	89.66
2000	238,603	6,085,319,646	18,770,000	-	18,770,000	0.31	78.67
2001	238,603	6,514,825,076	19,310,000	-	19,310,000	0.30	80.93
2002	238,603	7,041,241,892	17,515,000	-	17,515,000	0.25	73.41
2003	242,110	7,534,009,202	24,120,000	-	24,120,000	0.32	99.62
2004	242,110	8,022,206,352	24,756,000	-	24,756,000	0.31	102.25



<i>Real Property Value</i>					
<i>Fiscal Year</i>	<i>Agricultural</i>	<i>Commercial</i>	<i>Industrial</i>	<i>Residential</i>	<i>Developmental</i>
	\$	\$	\$	\$	\$
1995	92,369,072	752,782,423	271,605,036	2,526,858,155	-
1996	94,825,550	815,228,793	285,626,936	2,769,438,112	-
1997	99,375,917	858,782,485	315,405,155	3,041,883,212	-
1998	101,887,357	895,847,115	329,743,971	3,325,381,747	-
1999	111,974,649	979,061,642	352,629,755	3,819,201,153	-
2000	123,334,529	1,054,166,442	356,122,565	4,060,031,323	-
2001	137,259,433	1,157,989,445	365,365,750	4,060,031,323	-
2002	147,726,339	1,280,730,398	450,485,268	4,372,387,161	-
2003	153,280,951	1,396,751,002	443,920,723	4,729,736,472	-
2004	185,417,194	1,487,215,229	475,181,926	5,082,135,722	-

County of Kalamazoo, Michigan

Miscellaneous Statistics Property Value, Construction, and Bank Deposits (Unaudited) Ten Years Ended December 31, 2004

	(a)	(b)		(c)
		<i>Construction</i>		
<i>Personal Property Value</i>	<i>Total</i>	<i>Non- Residential</i>	<i>Residential</i>	<i>Bank Deposits (June 30)</i>
\$	\$	\$	\$	\$
613,428,206	4,257,042,892	94,400,000	129,400,000	2,104,950,000
640,694,623	4,605,814,014	113,200,000	165,200,000	2,298,029,000
731,367,819	5,046,814,588	177,100,000	166,400,000	2,325,224,000
752,597,048	5,405,457,238	114,200,000	167,300,000	2,614,366,000
797,200,071	5,820,431,591	131,300,000	164,200,000	2,062,809,000
732,544,957	6,085,319,646	113,800,000	202,700,000	2,011,142,000
794,179,125	6,514,825,076	120,300,000	172,700,000	2,227,528,000
789,912,726	7,041,241,892	92,800,000	189,700,000	2,339,041,000
810,320,054	7,534,009,202	143,600,000	245,800,000	2,422,000,000
792,256,281	8,022,206,352	114,700,000	221,600,000	2,444,000,000

Sources:

- (a) County of Kalamazoo Equalization Department figures, exclusive of Industrial and Commercial Facilities Tax and before any board of review actions.
- (b) Dodge Building Permits, McGraw Hill, Inc.
- (c) FDIC Data Book.

County of Kalamazoo, Michigan

Miscellaneous Statistics Employment Statistics (Unaudited) Ten Years Ended December 31, 2004



<i>Source - Michigan Department of Career Development</i>					
<i>Fiscal Year</i>	<i>Population (Source - U.S. Bureau of the Census)</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate</i>
					%
1995	227,984	120,950	116,425	4,525	3.74
1996	229,008	122,375	118,200	4,175	3.41
1997	229,471	126,475	122,425	4,050	3.20
1998	229,660	126,150	122,725	3,425	2.72
1999	229,867	126,375	122,600	3775	2.99
2000	238,603	129,725	125,185	4540	3.50
2001	238,603	131,250	125,575	5700	4.30
2002	238,603	126,800	121,250	5550	4.40
2003	242,110	129,625	122,700	6925	5.30
2004	242,110	133,688	125,993	7,695	5.80

County of Kalamazoo, Michigan

Miscellaneous Statistics Income and Age Characteristics and Education Statistics (Unaudited) December 31, 2004

<i>INCOME CHARACTERISTICS</i>	<i>Number of Households</i>
Source - 2000 U.S. Census:	
Income in 1999 Households:	
Less than \$10,000	7,861
\$10,000 to \$14,999	6,151
\$15,000 to \$24,999	12,662
\$25,000 to \$34,999	11,822
\$35,000 to \$49,999	16,185
\$50,000 to \$74,999	18,686
\$75,000 to \$99,000	9,477
\$100,000 to \$149,000	7,156
\$150,000 or more	3,495
	<u>93,495</u>

Median Household Income	\$ 42,022
Per Capita Income	\$ 21,739

AGE CHARACTERISTICS

Source - 2000 U.S. Census -	
Age Groups of County Residents:	
Under 5 years	15,447
5 to 17 years	41,944
18 to 24 years	36,323
25 to 44 years	67,402
45 to 64 years	50,339
65 years and over	27,148
Total County 2000 Population	<u>238,603</u>

EDUCATION STATISTICS

Source - 2000 U.S. Census -	
Years of School Completed (Individuals 25 and Over):	
Less than 9 th grade	4,307
9 th to 12 th grade, no diploma	11,967
High school graduate	37,615
Some college, no degree	35,150
Associate degree	10,767
Bachelor's degree	27,586
Graduate or professional degree	17,603
	<u>144,995</u>
Source - KRESA - Current School Enrollment – Public	36,815

County of Kalamazoo, Michigan

Miscellaneous County Statistics (Unaudited) December 31, 2004

Date of Incorporation	July 30, 1830
Form of Government	Elected Board of Commissioners
Area	576 square miles
Estimated 2004 Population	242,110
Miles of Streets	Paved primary, 640 miles Paved local, 1,033 miles
Parks and Recreation	Kalamazoo County Parks (six parks, 1,085 acres) Augusta Barn Theatre (Michigan's oldest resident summer-stock theater) Celery Flats Interpretive Center Kal-Haven Trail Kalamazoo Aviation Museum Kalamazoo Institute of Arts Kalamazoo Nature Center Kalamazoo Valley Public Museum Miller Auditorium (home of the Kalamazoo Symphony Orchestra) Several public and private golf courses Abundance of lakes for fishing, boating, and swimming Professional and collegiate sports programs and events
Universities and Colleges	Davenport College Kalamazoo Valley Community College Kalamazoo College Western Michigan University
Sources	Various County Departments
Internet Address	www.kalcounty.com

Information on Single Audit





Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
County of Kalamazoo, Michigan
Kalamazoo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the County of Kalamazoo, Michigan (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 6, 2005. We did not audit the financial statements of the Kalamazoo County Road Commission, which is a discretely-presented component unit of the County. This component unit was audited by other auditors whose reports thereon has been furnished to us and our comments expressed herein, insofar as it relates to amounts included for the Kalamazoo County Road Commission, is based solely on the reports of the other auditors. We, and the other auditors, conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration and that of the other auditors of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We and the other auditors noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated June 10, 2005.

This report is intended solely for the information and use of the County Board of Commissioners, management, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

May 6, 2005



BDO Seidman, LLP
Accountants and Consultants

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Telephone: (269) 382-0170
Fax: (269) 345-1666

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Commissioners
County of Kalamazoo, Michigan
Kalamazoo, Michigan

Compliance

We have audited the compliance of the County of Kalamazoo, Michigan (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Kalamazoo Community Mental Health and Substance Abuse Services, which received \$4,263,957 in federal awards, which is not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2004. Our audit, described below, did not include the operations of the Kalamazoo Community Mental Health and Substance Abuse Services because the component unit engaged auditors to perform the audit in accordance with OMB Circular A-133 and a separate report was issued.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Board of Commissioners, management, others within the County, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

May 6, 2005

Schedule of Expenditures of Federal Awards



County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Agriculture:		
<i>Passed-through Michigan Family Independence Agency -</i>		
Food Stamp Fraud Prosecution	10.550	\$ 4,174
<i>Passed-through Michigan Department of Education -</i>		
Food distribution - Commodities	10.550	4,173
		8,347
<i>Passed-through Michigan State University -</i>		
Family Nutrition Program - Food Stamps	10.551	10,072
<i>Passed-through Michigan Department of Education:</i>		
School Breakfast Program:		
Breakfast - Project No. 51970	10.553	6,912
Breakfast - Project No. 41970	10.553	19,397
		26,309
National School Lunch Program:		
Section 4 - All Lunches - Project No. 51950	10.555	1,139
Section 4 - All Lunches - Project No. 41950	10.555	3,255
Section 11 - Free and Reduced - Project No. 51960	10.555	10,053
Section 11 - Free and Reduced - Project No. 41960	10.555	28,228
		42,675
<i>Passed-through Michigan Department of Community Health -</i>		
Special Supplemental Food Program for Women, Infants, and Children	10.557	407,630
<i>Passed-through Michigan Department of Education -</i>		
Child and Adult Care Food Program	10.558	239,843
<i>Passed-through Michigan Department of Career Development -</i>		
Food Stamp Employment and Training Plan	10.561	139,645
<i>Passed-through Michigan Department of Education:</i>		
Temporary Emergency Food Assistance Program	10.568	28,423
Emergency Food Assistance Program - USDA Commodities - TEFAP	10.569	119,043
<i>Passed-through Michigan Office of Services to the Aging -</i>		
Nutrition Program for the Elderly - USDA Senior Citizen Meals	10.570	128,137
Total U.S. Department of Agriculture		1,150,124

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Continued)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Housing and Urban Development:		
<i>Passed-through City of Kalamazoo - CDBG Contracted Lead Services</i>	14.218	\$ 1,145
<i>Passed-through Michigan Department of Consumer and Industry Services - CDBG Small Cities Program - Housing Grant</i>	14.219	218,418
<i>Passed-through Michigan Economic Development Corporation - CDBG State's Program - Link Michigan Planning Grant</i>	14.228	22,934
<i>Passed-through City of Kalamazoo - Emergency Shelter Grants Program - McKinney Homeless</i>	14.231	16,200
<i>Passed-through Michigan Department of Consumer and Industry Services - Emergency Shelter Grants Program - MSHDA - ESG</i>	14.231	31,611
		47,811
<i>Direct Program - Supportive Housing Program - Transitional Housing</i>	14.235	52,112
<i>Passed-through Michigan Department of Community Health - Housing Opportunities for Persons with AIDS</i>	14.241	216,735
Total U.S. Department of Housing and Urban Development		559,155
U.S. Department of Justice:		
<i>Passed-through Michigan Family Independence Agency - Juvenile Accountability Block Grant - Equipment</i>	16.523	5,134
<i>Juvenile Accountability Incentive Block Grant</i>	16.523	84,398
		89,532
<i>Passed-through Michigan Family Independence Agency - Juvenile Justice and Delinquency Prevention - Allocation to States:</i>		
<i>Juvenile Offenders w/ Co-Occurring Disorders</i>	16.540	250,000
<i>Title V Delinquency Prevention Initiative</i>	16.540	17,963
<i>Building Restorative Communities</i>	16.540	42,859
<i>Better Tomorrows</i>	16.540	2,933
		313,755
<i>Passed-through Michigan Department of Community Health - Crime Victim Assistance</i>	16.575	64,732
<i>Drug Control and System Improvement - Formula Grant - Byrne Formula Grant:</i>		
<i>SWET</i>	16.579	89,996
<i>Domestic Violence Intensive Probation</i>	16.579	22,927
<i>Drug Court</i>	16.579	138,542
		251,465

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Continued)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Justice (Concluded):		
<i>Passed-through YWCA -</i>		
Violence Against Women Formula Grants	16.588	\$ 30,561
Direct Program - Local Law Enforcement Block Grant	16.592	68,327
<i>Passed-through City of Kalamazoo -</i>		
Local Law Enforcement Block Grant	16.592	193,579
<i>Passed-through City of Portage -</i>		
Local Law Enforcement Block Grant	16.592	21,369
<i>Passed-through Kalamazoo Township -</i>		
Local Law Enforcement Block Grant	16.592	19,105
		302,380
<i>Passed-through City of Kalamazoo -</i>		
Edison Weed and Seed Program	16.595	59,702
Direct Programs:		
State Criminal Alien Assistance Program	16.606	9,197
Planning, Implementing, and Enhancing Strategies in Community		
Prosecution - Community Prosecution Enhancement 2001-PP-CX-0036	16.609	119,228
Community Gun Violence Prosecution 2002-GP-CX-0023	16.609	93,206
		212,434
Total U.S. Department of Justice		1,333,758
U.S. Department of Labor:		
<i>Passed-through Employment Services Agency -</i>		
Wagner-Peyser Employment Service	17.207	466,300
<i>Passed-through Michigan Department of Career Development:</i>		
Trade Adjustment Act	17.245	79,440
Welfare-to-Work Grants to States and Localities	17.253	81,662
Work Force Investment Act:		
WIA Local Administration	17.258	74,100
WIA Adult	17.258	554,779
		628,879

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Continued)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Labor (Concluded):		
WIA Youth Local Administration	17.259	\$ 74,100
WIA Youth	17.259	838,313
		912,413
WIA Dislocated Worker	17.260	694,033
WIA National Emergency Grant	17.260	86,895
WIA Local Administration	17.260	74,100
		855,028
Reed Act One Stop	17.999	161,949
Total U.S. Department of Labor		3,185,671
U.S. Department of Transportation:		
<i>Passed-through Michigan Department of Transportation:</i>		
Federal Transit Formula Grant -		
Care-A-Van Transportation	20.507	86,399
Formula Grants for Other than Urbanized Areas -		
Care-A-Van Transportation	20.509	40,173
<i>Passed-through Michigan Department of State Police -</i>		
State and Community Highway Safety - Drive Michigan Safely	20.600	20,748
<i>Passed-through Michigan Department of State Police -</i>		
Interagency Hazardous Materials Public Sector Training & Planning Grants		
H.M.E.P. Planning Grant	20.703	9,320
Total U.S. Department of Transportation		156,640
U.S. Environmental Protection Agency -		
<i>Passed-through Michigan Department of Environmental Quality:</i>		
State Indoor Radon Mini-Grant	66.032	750
State Grants to Reimburse Operators of Small Water Systems for		
Training and Certification Costs - Nontransient NCW System	66.471	5,200
Surveys, Studies, Investigations, and Special Purpose Grants -		
DEQ Air Monitoring	66.606	6,470
Total U.S. Environmental Protection Agency		12,420

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Continued)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Energy -		
<i>Passed-through Michigan Family Independence Agency -</i>		
Weatherization Assistance for Low-Income Persons -		
Weatherization Assistance Program	81.042	\$ 308,606
U.S. Department of Health and Human Services:		
<i>Passed-through Michigan Office of Services to the Aging -</i>		
Special Programs for the Aging -		
Title VII, Chapter 3 - Programs for the Prevention of Elder Abuse,		
Neglect, and Exploitation - Title VII EAP Services	93.041	9,019
<i>Passed-through Michigan Office of Services to the Aging -</i>		
Special Programs for the Aging:		
Title VII, Chapter 2 - Long Term Care Ombudsman Services to Individuals	93.042	7,065
Title III, Part D - Disease Prevention and Health Promotion Services -		
Title III D Services	93.043	19,340
Title III, Part B - Grants for Supportive Services and Senior Centers:		
Title III B - Services	93.044	224,906
Title III B - Administration	93.044	72,983
		297,889
Title III, Part C - Nutrition Services - Title III C1/C2 Services	93.045	315,946
Title III E, National Family Caregiver Support Program:		
Title III E - NFCSP	93.052	66,273
Title III E - Administration	93.052	3,374
Title III E - Services	93.052	17,523
		87,170
<i>Passed-through Michigan Department of Community Health -</i>		
Projects for Assistance in Transition from Homelessness - P.A.T.H.	93.150	39,161
<i>Passed-through Michigan Department of Community Health -</i>		
Methamphetamine Prevention	93.243	181
<i>Passed-through Healthy Futures -</i>		
Community Access Program - CAP/Medran	93.252	13,335
<i>Passed-through Michigan Department of Community Health:</i>		
Immunization Grants:		
Vaccine Provided	93.268	737,602
MI Childhood Immunization Registry	93.268	40,301
Infant Immunization Initiative	93.268	105,588
		883,491

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Continued)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Health and Human Services (Continued):		
Centers for Disease Control and Prevention - Investigations and Technical Assistance:		
Bioterrorism - EPI	93.283	\$ 341,001
Asthma Coalition	93.283	18,156
BCCCP - Wisewoman	93.283	8,275
Centers for Disease Control Prevention	93.283	222,789
		590,221
<i>Passed-through Michigan Family Independence Agency:</i>		
Promoting Safe and Stable Families - MSU FIA Grandparent Support	93.556	43,850
Temporary Assistance for Needy Families - Assistance Payments	93.558	460,870
<i>Passed-through Michigan Department of Career Development:</i>		
Temporary Assistance for Needy Families	93.558	38,464
Work First	93.558	1,286,928
		1,786,262
<i>Passed-through Michigan Department of Career Development -</i>		
Reed Act Work First	93.999	1,610,854
<i>Passed-through Michigan Family Independence Agency:</i>		
Child Support Enforcement:		
Child Support Enforcement - PA	93.563	397,129
Child Support Enforcement - FOC	93.563	1,814,524
Medical Support Enforcement	93.563	72,559
		2,284,212
Low-Income Home Energy Assistance - Low Income Home Energy Assistance	93.568	193,391
Community Services Block Grant - Community Services Block Grant/CSBG	93.569	472,755
Direct Program:		
Community Services Block Grant - Discretionary Awards		
Community Food and Nutrition 90EN0561/01	93.571	7,542
<i>Passed-through Michigan Family Independence Agency -</i>		
Child Care and Development Block Grant - DSS License Inspections	93.575	6,684
<i>Passed-through SCAO - Grants to States for Access and Visitation Programs -</i>		
Access and Visitation Grant	93.597	30,313
Direct Program - Head Start:		
Head Start 05CH5120/29	93.600	3,755,537
Head Start 05CH5120/30	93.600	858,158
Youth Mentoring/Head Start 05CH5120/30	93.600	2,428
		4,616,123

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Continued)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Health and Human Services (Concluded):		
<i>Passed-through Michigan Family Independence Agency -</i> Social Services Block Grant - Teen Parent Grant	93.667	\$ 86,870
<i>Passed-through Michigan Department of Community Health -</i> Medical Assistance Program - CC-LBS	93.778	29,803
<i>Passed-through Michigan Family Independence Agency -</i> Medical Assistance Program - Medical Assistance Transportation	93.778	18,529
		48,332
<i>Passed-through Area Agency on Aging Association of Michigan -</i> Health Care Financing Research, Demonstrations and Evaluations - MMAP	93.779	5,406
<i>Passed-through Michigan Department of Community Health -</i> Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs - BCCCP - Coordination	93.919	136,830
Direct Program - Healthy Start	93.926	577,165
<i>Passed-through Michigan Department of Community Health:</i> HIV Prevention Activities - Health Department Based - AIDS/HIV Prevention	93.940	90,808
Block Grants for Prevention and Treatment of Substance Abuse - KCHSD Prevention	93.959	78,943
Preventative Health Services - Sexually Transmitted Diseases Control Grants - Laboratory Services	93.977	37,944
Preventative Health and Health Services Block Grant: Minority Health	93.991	27,540
Sexually Transmitted Disease	93.991	70,724
		98,264
<i>Passed-through Michigan Department of Community Health -</i> Maternal and Child Health Services Block Grant to the States: CAP/MEDRAN	93.994	12,624
MCH Block Grant	93.994	139,342
CC-LBS	93.994	28,829
		180,795
Total U.S. Department of Health and Human Services		14,656,161

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2004 (Concluded)

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
U.S. Department of Homeland Security:		
<i>Passed-through Michigan Department of State Police:</i>		
State Domestic Preparedness Equipment Support Program:		
State Domestic Preparedness Program Grant	97.004	\$ 604
State Homeland Security Grant Program	97.004	605,264
		605,868
Hazard Mitigation Grant - Kalamazoo County Hazard Mitigation Plan	97.039	28,753
Emergency Management Performance Grants	97.042	41,545
State and Local All Hazards Emergency Operations Planning:		
Terrorism Preparedness	97.051	1,438
Terrorism Planning Competitive Grant	97.051	10,000
Supplemental Funds Planning Grant	97.051	600
		12,038
Citizens Corps:		
Citizens Corps Councils	97.053	34,638
C.E.R.T. Grant	97.053	9,044
		43,682
Total U. S. Department of Homeland Security		731,886
Total Primary Government Unit		\$ 22,094,421

County of Kalamazoo, Michigan

Schedule of Expenditures of Federal Awards Schedule of Federal Pass-Through Funds to Subrecipients Year Ended December 31, 2004

<i>Program Name</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
Food Stamp Employment and Training and Supportive Services	10.561	\$ 139,644
USDA - Senior Citizens' Meal Program	10.570	128,139
Transitional Housing	14.235	52,112
Housing Opportunities for Persons with Aids	14.241	211,896
Employment Service	17.207	466,300
Trade Adjustment Assistance - Workers	17.245	79,440
Welfare-to-Work Grants to States and Localities	17.253	81,662
Workforce Investment Act - Adult	17.258	554,779
Workforce Investment Act - Youth	17.259	838,314
Workforce Investment Act - Dislocated Workers	17.260	780,928
	17.258	74,100
Workforce Investment Act - Local Administration	17.259 and 17.260	74,100 74,100
Special Programs for the Aging:		
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	11,023
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	177,883
Title III, Part C - Nutrition Services	93.045	315,506
National Family Caregiver Support	93.052	83,796
Temporary Assistance for Needy Families - Work First	93.558	1,286,928
Special Programs for the Aging - MMAP	93.779	4,808
Healthy Start Initiative - Phase II	93.926	362,776
Minority Health	93.991	17,811
Reed Act Funds	17.999	161,949
Reed Act Work First	93.999	1,610,854
Total Federal Pass-Through Funds to Subrecipients		\$ 7,588,848

County of Kalamazoo, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

Note 1 The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of County of Kalamazoo, Michigan, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 U.S. Department of Transportation Grants - The County participates in the Airport Improvement Program of the U.S. Department of Transportation, CFDA 20.106. The discretely presented component unit (Road Commission) participates in the Highway Research, Planning, and Construction Program of the U.S. Department of Transportation, CFDA 20.205. The programs are both administered by the Michigan Department of Transportation therefore the County and the Road Commission have no responsibilities regarding fiscal or compliance controls over such assistance. These grants are as follows:

<i>December 31, 2004</i>	<i>Federal CFDA Number</i>	<i>Current Year</i>
Primary Government -		
U.S. Department of Transportation -		
<i>Passed-through Michigan Department of Transportation:</i>		
Airport Improvement Program	20.106	\$ 1,542,054
Airport Security Reimbursement	20.106	165,546
Total Primary Government - U.S. Department of Transportation		\$ 1,707,600
Discretely Presented Component Unit -		
Governmental - Road Commission -		
U.S. Department of Transportation -		
<i>Passed-through Michigan Department of Transportation -</i>		
Highway Research, Planning, and Construction	20.205	\$ 5,115,076

County of Kalamazoo, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2004

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

An unqualified opinion was issued on the compliance report for major programs.

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of *Circular A-133*? No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
17.258	WIA Cluster Program
17.259	WIA Cluster Program
17.260	WIA Cluster Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.600	Head Start
93.268	Immunization Grants
93.999	Reed Act Work First

Dollar threshold used to distinguish between Type A and Type B Programs \$ 662,833

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



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June 10, 2005

County Board of Commissioners
County of Kalamazoo
201 West Kalamazoo Avenue
Kalamazoo, Michigan 49007

Members of the Commission:

In planning and performing our audit of the basic financial statements of the County of Kalamazoo (the County), for the year ended December 31, 2004, we considered the County's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of various matters where there are opportunities for strengthening internal controls, improving operating efficiency, or reducing expenses. The memorandum below summarizes our comments and recommendations regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The following were recommendations from previous audits that have not been resolved. They include management's response and status as of May 2005:

Operating Continuity and Disaster Recovery Planning

The County does not have a documented comprehensive disaster recovery plan. The information systems department organization has data backup procedures in place, analyzed some of the recovery time requirements, and is implementing a technical infrastructure and process including redundant server hardware to be used in the event of a server failure or destruction. However, the County has not developed a comprehensive operating continuity and disaster recovery plan addressing actions to be taken in the event of a major event affecting a significant portion of primary facilities, including the data center area. We understand management has acknowledged the need for a plan and is scheduling meetings this summer to address this issue.



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Recommendation

Commit the resources necessary to develop and test a comprehensive operating continuity and disaster recovery plan including, but not limited to, the County's information systems department environment to reduce the impact of a disruption to the County operations.

2005 Management Response

Funding and staffing resources continue to be deterrents to the development of a full and comprehensive Operating Continuity Plan and an IT-based Disaster Recovery Plan. However, Information Systems investigates and often acquires spare parts, maintenance and service plans, and disaster recovery options that may be offered at individual application levels through vendor outsourcing, etc., as a part of project planning and implementation with new initiatives. Also, the County Deputy Administrator is leading a County-wide Business Continuity Planning process separate from the IT Disaster Recovery process.

Special Revenue Funds

The County continues to maintain approximately 100 special revenue funds. Several of these special revenue funds have been established to account for federal grants. The number of funds is excessive and hinders the County's ability to easily review overall financial results.

Recommendation

We recommend the use of one fund with subsidiary accounts for similar federal grants instead of establishing a new fund for each grant. This should help reduce the number of special revenue funds and time to track each of these funds.

2005 Management Response

The County lacks the resources to implement this recommendation at this time. The purchase and implementation of the planned project cost accounting module are also on hold due to resources and the need to evaluate the cost/benefit of the application and feasibility of implementation.



Based on our audit for 2004, we offer the following additional recommendations for your consideration:

General Fund Bank Account

First, we congratulate the efforts of the finance and treasury departments in resolving the unexplained difference in the General Fund bank account that had been outstanding since 2001. During our review of the new cash reconciliation procedures, we noted there were several inefficiencies in the cash recording and reconciling procedures. The bank statement is first reconciled by the treasurer's office to treasury reports, then by the finance department to the general ledger. Deposits are not recorded in the general ledger in a manner that is easily identified on a bank statement. In addition, funds are often received by a department and forwarded to the treasurer for processing. This leads to differences between the processing date in the treasurer's deposit and the general ledger record date.

Recommendation

We recommend the finance and treasury departments continue their efforts to develop processes to more efficiently reconcile the bank statement. These would include:

- Recording deposits in the general ledger that would make these transactions easily identified on the bank statement.
- Identifying the processing date and the general ledger date on the deposit in the general ledger in order to more accurately match the deposits and ensure recording in the proper period.
- Ensuring all year-end deposits in transit from other departments to the treasurer are easily identified for proper recording cash balances in the financial statements.
- Recording information in a consistent matter to allow reconciliation directly to the general ledger.



Register of Deeds - Clerk's Division

It was noted during our review of daily procedures in the Register of Deeds - County Clerk's Division that the Clerk's Division is not utilizing the full controls in their software package. Staff members can process system overrides without approval from the department supervisors and overrides cannot be traced. Employees at a Level 3 have user rights to bypass a payment to a customer (i.e., gesture of goodwill because of customer's bad experience); however, this will not appear on the reconciling report at the end of the day. Many of the employees are cross-trained to perform several different types of jobs that may not include their day-to-day duties. These system deficiencies could lead to the misappropriation of assets by employees that could go undetected by supervisors.

Recommendation

We recommend the Clerk's Division review system controls and implement additional supervision and review of override procedures. Approval from supervisors should be obtained prior to overrides. System reports noting overrides should be generated and reviewed as part of the daily cash reconciliation procedures to ensure the proper approval is obtained.

Financial Reporting

It was noted during our discussions with the finance department, that only annual financial reports are prepared for review by the Board of Commissioners. Without regular financial reporting, the Board of Commissioners may not be able to maintain proper financial oversight of the County throughout the year.

In addition, there is no formal process in place in the finance department to review individual departments' actual results against the appropriated budget. Without a regular review of the budget to actual results, the finance department may not be able to maintain proper financial oversight of the County's departments and report financial results to the Board of Commissioners.

Recommendation

We recommend the finance department implement formal procedures to review financial results on a quarterly basis, at a minimum. Actual results should be compared to appropriated budgets. Significant variations should be explained for review by the Board of Commissioners. This process will ensure department managers are accountable for their budgets throughout the year, and the Board of Commissioners will be current on financial results of the County.



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The following recommendations of the Governmental Accounting Standards Board (GASB) will need to be implemented by the County in the upcoming years:

**GASB Statement No. 40 –
Deposit and Investment Risk Disclosures**

GASB Statement No. 40, which amends GASB Statement No. 3, was recently issued that addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, Statement No. 40 requires certain disclosures of investments with fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also should be disclosed.

Statement No. 40 eliminates disclosures for categories 1 and 2, deposits and investments, and requires custodial risk disclosure only for category 3, deposits and investments.

Recommendation

The County should consider the effect Statement No. 40 will have on the disclosures in the basic financial statements. This new standard will be effective for the County for the year ending December 31, 2005.

**GASB Statement No. 42 -
Accounting and Financial Reporting for Impairment of Capital Assets**

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Statement No. 42 also clarifies and establishes accounting requirements for insurance recoveries.

Impaired capital assets that are idle should be disclosed, regardless of whether the impairment is considered permanent or temporary. Statement No. 42 improves financial reporting because it requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. Users of financial statements will better understand when impairments have occurred and what their financial impact is on the government. Statement No. 42 also enhances comparability of financial statements between governments by requiring all governments to account for insurance recoveries in the same manner.



Recommendation

The County should consider the effect Statement No. 42 will have on its basic financial statements. This new standard will be effective for the County for the year ending December 31, 2005.

**GASB Statements No. 43 and No. 45 -
Financial Reporting of Postemployment Benefit Plans Other Than
Pension Plans (OPEB)**

GASB Statements No. 43 and No. 45 address how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits provided to retirees (collectively referred to as other postemployment benefits, or OPEB). OPEB generally refers to health insurance and dental, vision, prescription, or other healthcare benefits. The statements address how governments will be required to report information about the nature and size of their long-term financial obligations and commitments related to OPEB. GASB believes pension benefits and OPEB are a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, the cost of these future benefits is a part of the cost of providing public services today. However, most governments report their cash outlays for OPEB in a given year, rather than the cost to the employer of OPEB earned by employees in that year; these two amounts may be vastly different. In the absence of rules similar to those the GASB enacted for pensions, most governments do not accurately report the cost of the OPEB earned by their employees each year.

Furthermore, most governments do not report information about the nature and size of their long-term financial obligations and commitments related to OPEB. Consequently, the public has incomplete information with which to assess the cost of public services and to analyze the financial position and long-run financial health of a government. Actuarial valuation will be required at least biennially if membership is greater than 200.

Recommendation

The County should consider the effect these statements will have on its basic financial statements. These new standards will be effective for the County for the year ending December 31, 2006.



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**GASB Statements No. 44 -
Economic Condition Reporting: The Statistical Section**

GASB Statement No. 44 requires governments to expand their existing schedule requirements with explanatory notes regarding sources, methodologies, assumptions, and narrative explanations of unfamiliar concepts, atypical trends, and infrequent events.

Recommendation

The County should consider the effect this statement will have on its basic financial statements. This new standard will be effective for the County for the year ending December 31, 2006.

**GASB Statements No. 46 -
Net Assets Restricted by Enabling Legislation**

GASB Statement No. 46 clarifies that "legally enforceable" means an external party can compel government to use resources. If this relationship exists, then the entity must disclose such restrictions.

Recommendation

The County should consider the effect this statement will have on its basic financial statements. This new standard will be effective for the County for the year ending December 31, 2006.

This letter is intended solely for the information and use of the County Commission, the County management, and others within the County and should not be used for any other purposes.

We appreciate the cooperation from your staff that our personnel received during the audit of the basic financial statements for the year ended December 31, 2004.

Very truly yours,

BDO SEIDMAN, LLP

A handwritten signature in black ink that reads 'BDO Seidman, LLP'. The signature is written in a cursive, flowing style.

Certified Public Accountants